STRENGTH THROUGH DIVERSITY

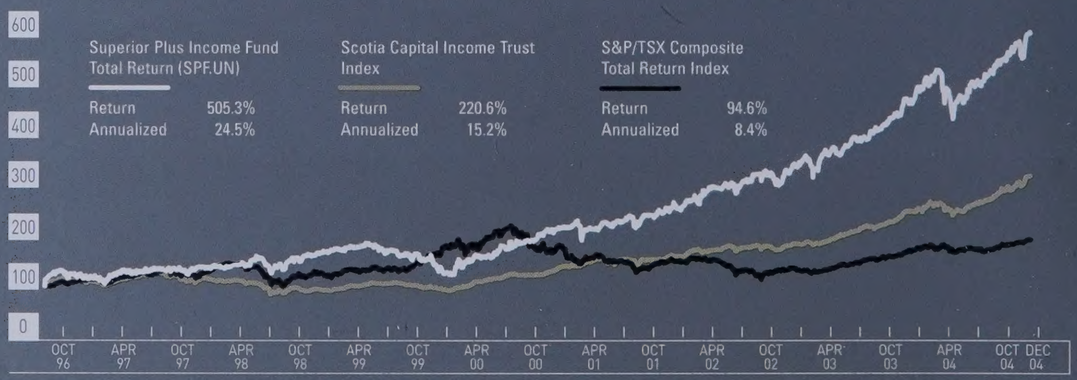
Superior Plus
Income Fund

04 ANNUAL REPORT

Canada's Leading Diversified Business Trust

The Superior Plus Income Fund was established in 1996. Superior's diversification strategy has led to substantial growth and long-term value, while reducing its overall business risk. Cash distributions have increased each year. With an enterprise value of approximately $3 billion and a strong foothold in four mature industries, Superior Plus is uniquely positioned as Canada's leading diversified business trust. Today, solid returns are derived from our propane retailing, pulp chemicals, specialty construction products distribution, and natural gas retailing businesses. A unitholder with a $100,000 investment at inception would have approximately $605,300 at the end of 2004, assuming reinvestment of distributions, representing an annualized return of 24.5%. Going forward, we remain committed to generating superior returns by prudently managing our businesses and continuing with our disciplined diversification strategy.

SPF.UN – TOTAL RETURN SINCE INCEPTION



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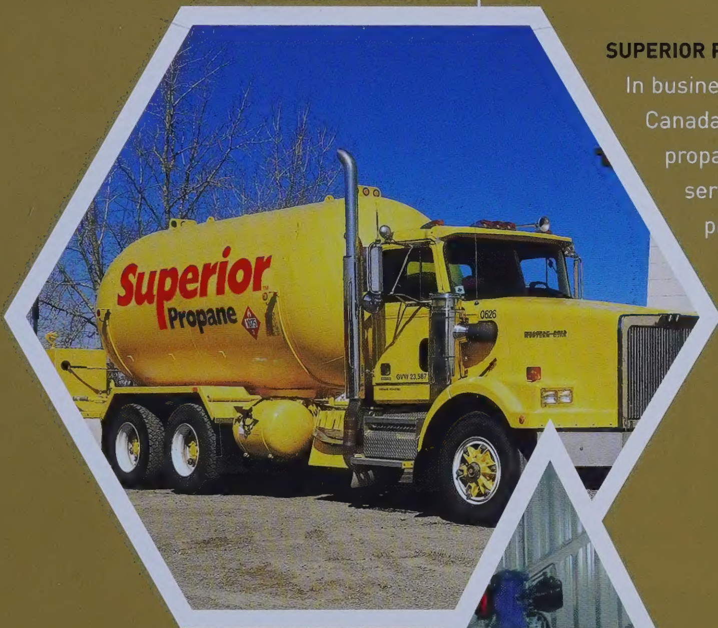
BLUEPRINT FOR SUCCESS

- Mature businesses
- Low operating risk profiles
- Strong competitive positions
- Visible value growth potential
- Stable and sustainable cash flows
- Experienced management capabilities



SUPERIOR PROPANE

In business since 1951, we are Canada's largest distributor of propane, related products and services and the fifth largest propane retailer in North America by sales volume.

ERCO WORLDWIDE

Established in the 1940s, we are the largest producer of sodium chlorate in North America. We also have the world's largest installed base of modern chlorine dioxide generators and related technology for the pulp and paper industry.

WINROC

In business since 1971, we are the seventh largest distributor of specialty construction products to the walls and ceilings industry in North America.

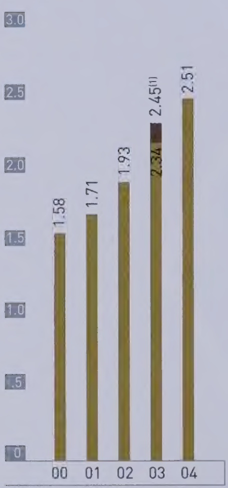
SUPERIOR ENERGY MANAGEMENT

We commenced operations in 2002 and provide natural gas supply services to commercial, industrial, and residential markets in Ontario and Quebec.

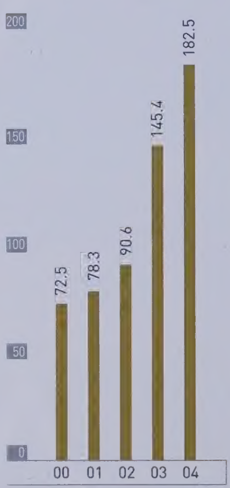
Performance Highlights

Since inception in 1996, Superior Plus has distributed $711 million and increased its enterprise value from $250 million to $3 billion.

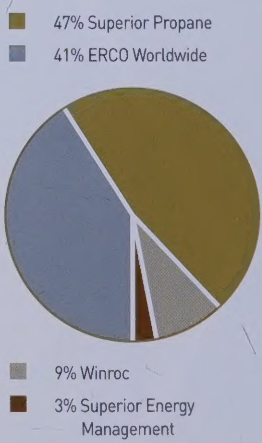
Distributable Cash Flow
($ per trust unit)



Distributable Cash Flow
($ millions)



Business Segment Contributions[2]



		Years Ended December 31			
(millions of dollars except per trust unit amounts)	2004	2003	2002	2001	2000
Distributable cash flow	182.5	145.4	90.6	78.3	72.5
Distributable cash flow per trust unit	$ 2.51	$ 2.45[1]	$ 1.93	$ 1.71	$ 1.58
Average number of trust units outstanding (millions)	72.7	59.4	46.9	45.8	45.8

Distributable cash flow and operating distributable cash flow which are used throughout this document, are terms used in accordance with the definitions contained in Note 1 to the Consolidated Financial Statements. These measures do not have a standardized meaning prescribed by generally accepted accounting principles ("GAAP") and may not be comparable to similar measures presented by other companies. Distributable cash flow cannot be assured.

(1) $2.34 per trust unit after adjustment for one-time impact of $0.11 per trust unit related to the timing of the issue of trust units resulting from the internalization of management agreements.

(2) 2004 annual operating distributable cash flow contributions, including Winroc on a pro forma basis, as if it had been acquired on January 1, 2004.

Management's Letter

2004 marked the eighth consecutive year that Superior Plus has delivered increased performance.

Superior Plus' diversification strategy and blueprint for success, created in 1998, was based on a vision that sound diversification reduces overall business risk, and provides for stability and long-term value creation. Each year, we have achieved solid performance and with patience, care and diligence have transformed Superior Plus into Canada's leading diversified business trust. Our businesses have strong competitive positions in mature industries.

The acquisition of Winroc in 2004 added a fourth platform for value growth. Each business has an experienced management team with well-trained and dedicated employees, focused on value creation. We are committed to our diversification strategy. With a strong balance sheet, we are firmly positioned to take advantage of profitable growth. Our primary focus is to pursue opportunities within each of our business units and, over the long-term, acquire other businesses that are accretive to unitholder distributions and have risk profiles appropriate for our income fund structure.

Grant D. Billing
Executive Chairman

Geoffrey N. Mackey
President and
Chief Executive Officer

Q **Superior Plus has one of the longest and most successful track records in the income trust universe. What were your most significant accomplishments in 2004?**

A 2004 marked our eighth consecutive year of growth. Distributable cash flow per trust unit reached a new record of $2.51, an increase of 7% compared to the $2.34 earned from operations in 2003 (net of the $0.11 one-time impact of the timing of the issue of units, resulting from the 2003 internalization of management agreements). We advanced our diversification strategy, strengthened our operations and improved our balance sheet. Highlights included:

- Superior Propane continued to provide the foundation for stable returns. In August, it purchased a small heating oil company to pilot the expansion into the fuel oil business. In mid-September, David Eastin, former Senior Vice-President and COO of Suburban Propane, a leading propane retailer in the United States, joined Superior Propane as President to focus on the core business and profitable growth opportunities in Canada and the United States.
- ERCO Worldwide benefited from the integration of Albchem, acquired October 1, 2003. In August, ERCO announced the construction of a 55,000 metric tonnes (MT) per year sodium chlorate plant in Chile to meet a long-term supply commitment with CMPC, one of the world's leading pulp producers. This provides ERCO with a sound platform to effectively penetrate the fast growing South American market at minimum risk.
- In June 2004, Superior Plus expanded into the specialty building products distribution business by acquiring Winroc, a strong margin-based business, for $104.2 million. In December, Winroc expanded its operations into Eastern Canada by acquiring Interior Building Supplies for $12.2 million.
- Superior Energy Management continued its growth in 2004 and expanded its natural gas retailing activities into Quebec.

Q **You have stated that Superior Plus is firmly positioned to take advantage of profitable growth opportunities both organically and by acquiring other businesses. How many and what kind of businesses are you planning to add?**

A Our businesses have unique and attractive growth opportunities, which are discussed by each divisional president later in this report. Our number one priority in the near and medium term is to support their business plans. Over the long-term, we have the capacity to add one or two sizable businesses. We take an opportunistic approach towards generating long-term value for our unitholders. That is, we make an acquisition only if and when it fits our acquisition criteria set out in the "Blueprint for Success" on page one of this Annual Report, is immediately accretive to distributions, and if it can be financed in a manner that maintains Superior's existing financial strength.

Building a Diverse Business Trust

1996	1997	1998	1999
Established in October 1996 by purchasing a 50% interest in Superior Propane. **Enterprise Value:** $250 million	Acquired additional 40% interest in Superior Propane. **Enterprise Value:** $443 million	The Fund acquires 100% of Superior and adopts diversification strategy. ICG Propane acquired. **Enterprise Value:** $857 million	Competition Bureau temporarily prevents Superior from integrating ICG assets. **Enterprise Value:** $790 million

Q **Some say that Superior Plus has turned into a conglomerate. How does the Fund add value to its businesses?**

A There are fundamental differences between a traditional corporate conglomerate and a diversified business trust. In an income fund model, the focus is on distributable cash flow, which is a very transparent performance measure. Free cash flow generated by each of Superior's businesses is distributed to unitholders, who in turn decide on how to reinvest it. This is quite different from a traditional corporate conglomerate where management decides on how to reinvest its cash flow. In an income fund structure, management must raise capital from financial markets to finance growth. Corporate management adds value to Superior's divisions by providing strategic guidance and direction, by monitoring their performance and by providing consistent access to low cost capital to execute their business plans and fund their growth opportunities.

Q **Why does Superior Plus pay out substantially all of its distributable cash flow? Would it not be more prudent in today's environment to hold back cash for unexpected events?**

A We understand that some income funds have experienced operational or financial difficulties this year and had to reduce or cut their distributions. We made a commitment to our unitholders to pay out substantially all of our sustainable distributable cash flow over time. Last year, we increased distributions three times to the current monthly rate of $0.20 per unit ($2.40 annualized). We do not increase distributions until we are comfortable that the underlying businesses can sustain them. Our diversified businesses position us to better absorb minor profitability swings, as no single business contributes more than 50% to our overall distributable cash flow. Our payout ratio with respect to 2003 and 2004 distributable cash flow was 91%.

Grant D. Billing
Executive Chairman

Geoffrey N. Mackey
President and
Chief Executive Officer

March 9, 2005

00	2001	2002	2003	2004
uperior and ICG ropane initiate tegration.	Merger of Superior and ICG Propane completed resulting in substantial efficiency savings.	Acquired ERCO Worldwide and established Superior Energy Management.	Management internalized. ERCO acquired Albchem.	Acquired Winroc. ERCO announces expansion into Chile.
nterprise Value: 389 million	**Enterprise Value:** $984 million	**Enterprise Value:** $1.8 billion	**Enterprise Value:** $2.5 billion	**Enterprise Value:** $3.0 billion

Corporate Governance

Responsible corporate governance practices and transparency assist Superior Plus in achieving continued success and profitable growth and in maintaining strong, vibrant and competitive businesses in today's marketplace.

Expanded Roles and Responsibilities

In October 2003, Superior Plus underwent a corporate governance reorganization that simplified and streamlined its structure. As a result, the Board is responsible for overseeing the business of Superior Plus and the affairs of the Fund and for providing effective stewardship to support the goal of long-term value creation.

In addition, the responsibilities of the Board of Directors continue to expand in our changing business and regulatory environment. Post the Sarbanes-Oxley Act, which established strict, new rules and reporting requirements for publicly traded companies in the United States, investors and regulators in Canada are demanding increased accountability, transparency and corporate disclosure. The Board of Superior Plus takes its expanded roles and responsibilities seriously. The Board seeks to ensure that its governance processes are efficient and effective and will lead to improved organizational performance. Supported by the Audit Committee and the Governance and Human Resources Committee, the Board's processes are designed to achieve an appropriate degree of independence from management; to consider, approve and monitor Superior's strategic, operating, capital and financial plans; and to monitor its risk management framework, including the integrity of internal financial and management systems. The Board recognizes that the risk tolerance in an income fund structure is inherently lower than for conventional corporations, as our investors expect stable cash distributions. Superior Plus has a performance-oriented culture and the scope of the Board extends to overseeing that there are appropriate human resources skills and expertise to continue to meet the complexities of tomorrow and the challenges of the global economy.

Board Composition, Independence and Compliance

Of the nine Board members, seven are independent. Grant Billing, Executive Chairman and Geoff Mackey, President and CEO are inside directors. Peter Green serves as Lead Director to ensure greater independence of the Board from management. In January 2004, the Board welcomed Peter Valentine, whose substantial accounting and audit experience complements its knowledge and skills. All nine members have extensive business and board experience, high standards of ethics, and strong visions.

Superior Plus abides by applicable Canadian securities law and regulations and generally follows the recommendations on corporate governance established by the Toronto Stock Exchange. In October 2004, the Canadian securities regulators published proposed National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices. We will be reviewing our governance processes in 2005 in view of the new guidance and disclosure rules to be satisfied that they remain appropriate for Superior Plus. Our statement of Corporate Governance Practices is included in the 2005 Information Circular. The Board and Committee mandates, together with the Corporate Disclosure and Whistleblower policies, are posted on the Fund's website.

"We are confident that Superior Plus has a sound strategy, conducts its business with honesty and integrity, and will continue to deliver value for its unitholders."

Board of Directors of Superior Plus at Strategy Session, November 2004
Standing left to right: Robert J. Engbloom, Q.C., Partner, Macleod Dixon LLP; Peter A.W. Green, Chairman, The Frog Hollow Group Inc. and Chairman of Patheon Inc.; David P. Smith, Managing Partner, Enterprise Capital Management Inc.; and Norman R. Gish, President, Gish Consulting Inc.

Seated left to right: Peter Valentine, Senior Advisor to the CEO, Calgary Health Region and to the Dean of Medicine, University of Calgary; Geoffrey N. Mackey, President and Chief Executive Officer, Superior Plus Inc.; Grant D. Billing, Executive Chairman, Superior Plus Inc.; Allan G. Lennox, Principal, AG Lennox & Associates; and James S.A. MacDonald, Chairman and Managing Partner, Enterprise Capital Management Inc.

Operations Review

Superior Plus Business at a Glance

SUPERIOR PROPANE

Superior Propane has been in business since 1951 and is Canada's largest distributor of propane, related products and services.

Number of Employees: 1,700

Operations:
206 locations across Canada comprised of 47 larger market centres and 159 satellite and storage yards.

Annual Sales Volume:
Approximately 1.5 billion litres of propane.

Type of Customers:
Approximately 300,000 customers, diversified geographically and across end-use applications. The largest customer contributed approximately 1% of gross profit in 2004.

Key Strengths:

- Leading competitive position.
- Geographic and end-use customer diversification.
- Track record of stable and growing financial results.

ERCO WORLDWIDE

ERCO Worldwide has been in business since the 1940s and is the largest producer of sodium chlorate in North America. It also has the world's largest installed base of modern chlorine dioxide generators and related technology for the pulp and paper industry.

Number of Employees: 410

Operations:
Eight sodium chlorate plants strategically located, including seven in Canada and one in Valdosta, Georgia in the United States.

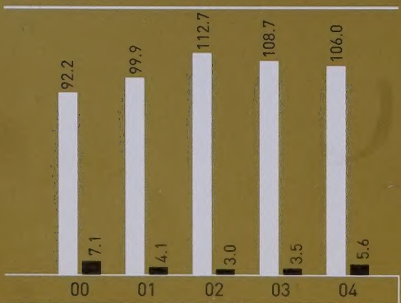
Annual Sales Volume:
Approximately 580,000 metric tonnes of sodium chlorate.

Type of Customers:
Approximately 120 large, longstanding and loyal customers. The top 10 customers contribute approximately 54% of revenues.

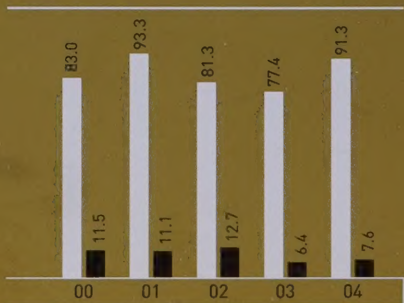
Key Strengths:

- Leading competitive position.
- Simple and safe manufacturing process.
- Track record of stable financial performance.

Operating Distributable Cash Flow and Maintenance Capital
(millions of dollars)



Operating Distributable Cash Flow and Maintenance Capital[1]
(millions of dollars)



[1] ERCO Worldwide acquired effective December 19, 2002. Prior year results are provided for comparison purposes.

WINROC

Winroc has been in business since 1971 and is the seventh largest distributor of specialty construction products to the walls and ceilings industry in North America.

Number of Employees: 680

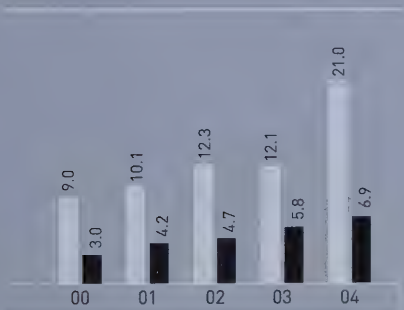
Operations:
32 branches located across western Canada, Ontario, Minnesota and parts of the southwestern United States.

Annual Sales Volume:
Approximately $380 million of revenues, of which 50% is derived from the sale of drywall and accessories.

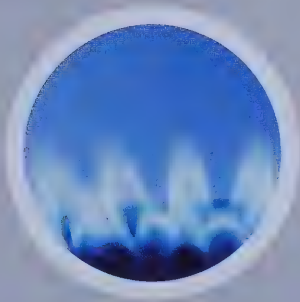
Type of Customers:
Approximately 5,600 residential, commercial, new and remodeling customers, diversified geographically. The largest customer contributed approximately 3% of gross profit in 2004.

Key Strengths:
- Leading competitive position.
- Geographic and customer diversification.
- Track record of stable and growing financial results and attractive growth potential.

Operating Distributable Cash Flow and Capital Expenditures[1]
(millions of dollars)



(1) Winroc acquired effective June 11, 2004. Prior year results are provided for comparison purposes.



SUPERIOR ENERGY MANAGEMENT

Superior Energy Management commenced operations in June of 2002, providing fixed price natural gas supply services, predominantly to commercial and industrial markets in Ontario.

Number of Employees: 30

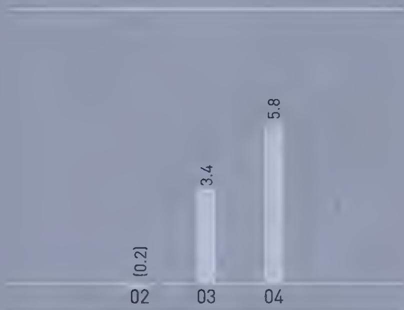
Operations:
Main focus area is Ontario, expanding into Quebec market.

Annual Sales Volume:
Approximately 80,000 GJ/d of natural gas.

Type of Customers:
Approximately 29,000 commercial, small industrial and residential customers. The largest customer contributed approximately 6% of gross profit in 2004.

Key Strengths:
- Stable contract-based business.
- Complementary to propane retailing.
- Good growth opportunities.

Operating Distributable Cash Flow
(millions of dollars)



Superior Propane

"We are focused on long-term value creation and growth."

Superior Propane has been the catalyst for success and growth since the inception of the Fund in 1996 and continues to provide a solid foundation for stable returns. In 2004, Superior Propane contributed $106.0 million of operating distributable cash flow, a decrease of $2.7 million or 2% compared to prior year results, as improved equipment and service revenues were outpaced by the continuing structural decline in auto propane sales volumes.

In September 2004, David R. Eastin, former Senior Vice-President and COO of Suburban Propane, one of the top three propane businesses in the United States, joined Superior Propane as President. Under his leadership, the propane retailing division has refocused its strategy on long-term value creation and growth.

The Propane Advantage

In Canada, Superior Propane is well recognized as the leading national provider of propane, related products and services with about 50-55% of the market share. We are the only retail propane business in Canada with operations in all provinces and territories. In North America, Superior Propane ranks number five, measured by sales volumes. Propane is an environmentally friendly, clean burning, efficient, portable and economical fuel source. For over 50 years Superior Propane has served the energy needs of Canadians for all major end-use propane applications, including residential, commercial, auto, construction, oil field, forklift truck and agriculture. Superior

David R. Eastin, President
Superior Propane

Propane has a low, utility-like operating risk profile that results in stable returns. Product price changes are generally passed on to the customer. The geographic diversity and breadth of end-use customer segments mitigates our exposure to weather and economic fluctuations. Our customer-care culture and broad range of services give us a competitive advantage over our many local competitors. We differentiate ourselves from other propane retailers by providing "one stop shopping" service capabilities and providing an opportunity for customers to choose their preferred service, pricing and payment options. Our extensive offerings include equipment sales and rentals, installation, repair and maintenance services. We are able to leverage Superior Propane's size and scale with respect to delivery and service efficiencies, procurement, supply and transportation infrastructure, business support services and the development and implementation of value-added service programs.

In August 2004, Superior Propane purchased a small refined fuels distribution company, delivering bulk and packaged lubricants, heating oil and diesel in Ontario to pilot the expansion of its product line. In February 2005, we purchased Foster Energy, a wholesale marketer of natural gas liquids based in Calgary, Alberta for approximately $28 million which is expected to substantially enhance Superior Propane's product supply and logistics capability. Foster Energy, now operating under the trade name Superior Gas Liquids, offers value-added, natural gas liquids wholesale marketing services, primarily to small and medium-sized retailers in the United States. Superior's size will allow Superior Gas Liquids to achieve greater purchasing scale and improve its overall competitiveness while providing Superior Propane with increased exposure to the United States retail propane market.

New Growth Opportunities

Customer growth, continuous improvement of customer service processes and increasing the operational efficiencies of our assets, remain key components in achieving sustainable, profitable results. We focus on growing residential and commercial sales by continuing to broaden our product and service plan offerings. Over the longer term, we will explore opportunities to expand our footprint into the United States. We use a very disciplined approach and make acquisitions only if they fit within our operational profile and add long-term value for our unitholders.

David Balicki
Vice-President,
Operations

Greg Stewart
Vice-President,
Business Services

Terry Gill
Vice-President,
Human Resources

ERCO Worldwide

"We are positioned to pursue opportunities in the growing Asian and South American markets."

ERCO Worldwide has added substantial value since it was acquired by Superior Plus in December 2002. Operating distributable cash flow for 2004 reached $91.3 million, an increase of $13.9 million or 18% compared to the prior year, largely fuelled by the successful integration of Albchem's two modern, sodium chlorate production facilities acquired in October 2003. The integration added 120,000 MT/year of production capacity, resulted in considerable synergies, and expanded ERCO Worldwide's customer base in North America and offshore. Our eight manufacturing plants use simple and safe processes, and are located close to major rail terminals and reliable supplies of raw materials. Electrical energy costs represent approximately 75-85% of ERCO's cost structure.

During 2004, we expanded the scope of our electrolytic cell replacement program and are continuing to redesign cells to improve efficiency. Our plants are able to respond to changes in electricity costs and customer demand, allowing us to maintain a low cost structure, strong cash margins and consistent cash flow. During 2004, three of the plants achieved new production records, as we optimized production between facilities.

With a total capacity of 580,000 MT/year, ERCO Worldwide is North America's largest supplier of sodium chlorate with a market share of 29%. Sodium chlorate is

Paul S. Timmons, President
ERCO Worldwide

required as a feedstock in the production of chlorine dioxide, a bleaching agent which has significant environmental advantages in the production of high-grade paper products. The product represents about 81% of ERCO's sales. Other chemical revenues are derived from ERCO's chlor-alkali business and technology offerings. Although pulp prices are volatile, sodium chlorate sales volumes and prices have been relatively stable, as the product is required to produce bleached pulp and represents a small portion of the mills' manufacturing cost.

Competitive Edge

ERCO Worldwide is the world's largest supplier of modern chlorine-dioxide generators and related technology which are used by pulp mills to convert sodium chlorate into chlorine dioxide. ERCO has installed about two-thirds of the world's modern chlorine-dioxide generators. Our technology is protected by over 240 patents. We offer value-added services which enable our pulp customers to optimize their operations. By providing engineering, design, equipment specification and procurement, on-site technical assistance, operator training and plant start-up services as well as ongoing 24/7 technical support services and spare parts, we develop important customer relationships and gain early access to new markets. During 2004, ERCO was awarded contracts for four new chlorine-dioxide generators in Asia and South America. In August 2004, ERCO entered into a long-term agreement with a division of Empresas CMPC S.A., South America's largest pulp producer, to supply sodium chlorate to CMPC's three pulp mills in Chile. As part of the agreement, ERCO Worldwide, using its own technology, will construct a 55,000 MT/year world-scale, sodium chlorate plant in Chile at an estimated cost of $65 million. This provides ERCO with a sound platform to effectively penetrate the growing South American market at minimum risk. The new facility, which is expected to begin operating in mid-2006, will increase ERCO's annual sodium chlorate capacity by 10% to 635,000 MT.

Outlook

ERCO will continue to improve its industry-leading technology. We are the leader in the sodium chlorate industry in North America and are uniquely positioned to pursue opportunities in the growing Asian and South American markets, as developing economic regions of the world adopt elemental chlorine-free standards and increase consumption of paper and related products.

Ed Bechberger
Vice-President,
Sales and Marketing

John Kamler
Vice-President,
Business Development

Jamie Betts
Vice-President,
Manufacturing & Engineering

John Engelen
Vice-President,
Finance & Systems

Sheila Burke
Vice-President,
Regulatory Affairs and External Relations

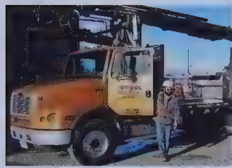
Dan Corbett
Vice-President,
Human Resources

Winroc

"We are focused on becoming a leading specialty building products distributor in North America."

Winroc joined the Superior Plus family in June 2004, adding operating distributable cash flow of $14.4 million to Superior's results. In 2004, we continued our track record of delivering consistent profitable growth, achieving an increase in cash flow of $8.9 million or 74% on a full year basis, compared to the prior year. Winroc is a well-established, margin-based distributor, servicing the $16 billion North American walls and ceilings product industry. We offer a full product line with service to walls and ceilings contractors. Our "stock and scatter" service provides delivery at the right time to the right place at the construction job site, resulting in important productivity savings for customers. Winroc's core business of drywall, steel-framing, insulation and ceilings products, represents approximately 90% of sales. Other goods include plaster products, tools, fasteners and miscellaneous building supplies. Our 5,600 customers are diversified, both geographically and by product category, with overall demand balanced between new residential and commercial construction, and residential and commercial remodeling. While new residential and commercial construction has historically been cyclical, demand for these end-use markets rarely move in synch with each other and remodeling activities have increased steadily over many years. Winroc's growth over the past ten years stems from geographic expansion and a wider range of product lines, which makes us less vulnerable to regional economic swings.

Paul J. Vanderberg, President
Winroc



Competitive Position

Winroc is estimated to be the seventh largest walls and ceiling specialty distributor in North America with a share of less than 2%. The walls and ceilings distribution industry is highly fragmented with the top seven competitors representing an estimated 25% market share, providing attractive acquisition opportunities. In December 2004, Winroc purchased Interior Building Supplies ("IBS") for $12.2 million, expanding its distribution network into Ontario. With IBS, Winroc operates 32 branches with strong market positions, including three in Ontario, 22 in western Canada and seven in the south-western and mid-western United States. Winroc is a relationship-based business that competes on the basis of service and price. Our general managers manage the overall profit of their branch operations by maintaining strong relationships with the installing contractors, focusing on margin, operating costs and working capital management. Branch operations are supported by centralized business systems, financial control and purchasing. Our Allroc purchasing operation offers focused buying support to Winroc and a diverse group of third-party associates, providing product sourcing and purchasing cost advantages.

Our strong competitive position, purchasing power, geographic market diversification, full product line, and our ability to closely manage our cost structure, are major contributors to Winroc's success.

Strong Growth Potential

Winroc has the organization, business systems and operating skills to further expand its operations. We can strengthen our market position by adding complementary product lines, such as exterior cladding products (manufactured stone and siding) and coatings, in selected markets. We are excited about our growth opportunities in Canada and the United States and will add greenfield locations, or acquire existing specialty construction distribution businesses that have strong operating management. With the support and financial strength of Superior Plus, Winroc is focused on becoming a leading specialty building products distributor in North America.

James Empey
Vice-President, Finance

Robert Hancock
Vice-President, Allroc Sales & Marketing

Peter Welly
Vice-President, Operations, U.S. and Acoustical

Wade Wilson
Vice-President, Operations, Western Canada

Robert Jordan
Director, Business Development and Regional Operations Manager, Ontario

Jake Kooy
Operations Manager, Prairie Region

Colin Ramsden
Operations Manager, BC Region

Superior Energy Management

"We provide fixed-price natural gas solutions to a growing customer base in Ontario and Quebec."

The growth of Superior Energy Management (SEM) accelerated in 2004. In its second full year of operation, SEM generated $5.8 million in operating distributable cash flow, an increase of $2.4 million or 71% over the prior year. Since its start up in June 2002, SEM has been providing fixed-price, natural gas solutions to commercial, industrial and residential consumers in Ontario for contract terms up to five years. We work with our customers to control their energy commodity costs through a fixed-price plan that fits their budget and energy needs.

In the spring of 2004, Quebec expanded the scope of the deregulation of its natural gas market by allowing natural gas marketers to provide commercial and light industrial consumers with term fixed-price purchase options. This enabled SEM to expand the reach of its marketing operations into Quebec.

We also invested time during 2004 to develop our sales infrastructure and processes to increase our penetration of the higher margin residential and small commercial market in Ontario. These initiatives contributed to the year-over-year growth in our total customer count from 10,800 in 2003 to 28,800 at the end of 2004.

Gerry M. Haggarty, President
Superior Energy Management

Natural gas sales volumes increased by 35% while the average remaining term of our customer contracts increased by 88% to 32 months at the end of 2004 compared to the prior year end. At the end of 2004, approximately 85% of our sales volumes were destined for commercial and light industrial customers in Ontario and Quebec with the remaining 15% sold to residential customers in Ontario.

Winning Combination

The combination of Superior's brand recognition, established credit strength, and existing producer/wholesaler relationships, provides SEM with a competitive edge in the Ontario and Quebec markets. Additionally, we have established a strong sales infrastructure and processes that provide effective service and results to our customers and sales teams. By year-end, our staffing level had increased to 30 well-trained and dedicated employees, and our contract sales force continued to expand. We spend considerable time and effort sourcing and managing our natural gas supply portfolio to ensure our fixed-price supply matches the volume and term of our fixed-price sales commitments to customers. This provides us with a fixed selling margin over the term of each customer contract. To achieve diversification of its natural gas supply portfolio, SEM continually expands its physical and financial supply sources, as the business continues to grow. We typically maintain a long fixed-price gas position equal to one or two weeks of sales, which enables our sales teams to market fixed-price offerings to potential customers based on a known cost of gas.

Looking Ahead

For 2005, SEM will pursue expansion of our commercial/light industrial natural gas customer base in both Ontario and Quebec, as well as our residential business in Ontario. We are following with interest the pending deregulation of the electricity market in Ontario. This development could provide SEM with an attractive opportunity to expand the scope of its fixed-price energy offerings in the Ontario market.

Jeff Borg
Senior Vice-President

Gary Schein
Controller

Selected Historical Information

SUPERIOR PROPANE

(millions of dollars except litres of propane and per litre amounts)	2004	Year Ended December 31 2003	2002	2001	2000[1]
Litres of propane sold (millions)	1,544	1,625	1,688	1,733	2,058
Propane sales margin (cents per litre)	15.7	15.5	14.8	15.0	13.2
Revenues	720.2	727.1	619.0	787.5	875.3
Cost of products sold	433.5	436.5	328.8	486.8	553.6
Gross profit[2]	286.7	290.6	290.2	300.7	321.7
Cash operating, administrative and tax costs	175.1	178.4	174.5	196.7	222.4
Cash generated from operations before changes in net working capital	111.6	112.2	115.7	104.0	99.3
Maintenance capital expenditures, net	5.6	3.5	3.0	4.1	7.1
Operating distributable cash flow	106.0	108.7	112.7	99.9	92.2

(1) Includes ICG's operations on a combined basis.
(2) Includes gross profit from other service revenues.

ERCO WORLDWIDE

(millions of dollars except thousands of metric tonnes and per metric tonne ("MT") amounts)	2004	Year Ended December 31 2003	2002[1]	2001[1]	2000[1]
Total chemical sales (MT)	649.0	574.0	543.8	538.4	539.7
Average chemical selling price (dollars per MT)	571.0	573.0	611.0	593.7	544.8
Revenues	396.0	356.3	361.9	351.8	338.6
Cost of products sold	202.8	183.3	181.4	172.2	165.3
Gross profit	193.2	173.0	180.5	179.6	173.3
Cash operating, administrative and tax costs	94.3	89.2	86.6	75.2	78.8
Cash generated from operations before changes in net working capital	98.9	83.8	94.0	104.4	94.5
Maintenance capital expenditures, net	7.6	6.4	12.7	11.1	11.5
Operating distributable cash flow	91.3	77.4	81.3	93.3	83.0

(1) ERCO Worldwide was acquired effective December 19, 2002. Prior year results are unaudited and are provided for comparison purposes.

WINROC

(millions of dollars)	2004[1]	2003[1]	2002[1]	2001[1]	2000[1]
		Year Ended December 31			
Revenues	384.3	310.9	282.2	288.0	281.4
Cost of products sold	300.0	245.6	220.6	230.2	227.4
Gross profit	84.3	65.3	61.6	57.8	54.0
Cash operating, administrative and tax costs	56.4	47.4	44.6	43.5	42.0
Cash generated from operations before changes in net working capital	27.9	17.9	17.0	14.3	12.0
Capital expenditures, net	6.9	5.8	4.7	4.2	3.0
Operating distributable cash flow	21.0	12.1	12.3	10.1	9.0

(1) Winroc was acquired effective June 11, 2004. Prior year results are unaudited and are provided for comparison purposes.

SUPERIOR ENERGY MANAGEMENT

(millions of dollars except per gigajoule ("GJ") amounts)	2004	2003	2002[1]
		Year Ended December 31	
Natural gas sold (millions of GJs)	28.1	20.9	2.0
Natural gas sales margin (cents per GJ)	47.7	38.8	22.5
Revenues	211.3	152.2	11.4
Cost of products sold	197.9	144.1	10.9
Gross profit	13.4	8.1	0.5
Cash operating, administrative and selling costs	7.6	4.7	0.7
Operating distributable cash flow	5.8	3.4	(0.2)

(1) Superior Energy Management commenced business operations in June 2002.

Management's Discussion and Analysis

As at March 9, 2005

Mark Schweitzer, Executive Vice-President
Corporate Development and Chief Financial Officer

Organization and Structure

The Superior Plus Income Fund (the "Fund") holds a 100% interest in Superior Plus Inc. ("Superior") consisting of investments in common share equity (the "Common Shares"), and $1.061 billion unsecured subordinated notes due October 1, 2026 that bear interest at a weighted average interest rate of 13.29% (the "Shareholder Notes"). The distributable cash flow of the Fund is solely dependent on the results of Superior and is derived from dividends or returns of capital on the Common Shares and interest earned on the Shareholder Notes. Superior has four operating divisions: a propane retailing business operating under the trade name "Superior Propane"; a pulp chemicals business operating under the trade name "ERCO Worldwide"; a walls and ceilings construction product distribution business operating under the trade name "Winroc"; and a natural gas retailing business operating under the trade name "Superior Energy Management".

Cash Distributions

The Fund distributes to holders of trust units ("Unitholders"), interest earned on the Shareholder Notes and dividends or returns of capital declared on the Common Shares, after interest payments to holders of the Series 1 and

Series 2 convertible unsecured subordinated debentures (the "Debentures") of the Fund ("Debentureholders"), and provision for administrative expenses and reserves of the Fund. The Fund targets to pay out substantially all of its ongoing sustainable distributable cash flow through regular monthly distributions. In March 2004, the Fund declared a "top-up" distribution of $0.185 per trust unit with respect to remaining undistributed cash flow generated in 2003 and announced the discontinuance of its previous practice of paying annual top-up distributions in favour of paying out, on a regular basis, an increased proportion of expected sustainable distributable cash flow. This change in distribution practice was intended to increase the transparency of distributions paid to Unitholders and is more consistent with income fund distribution practices.

Growth of the Fund's distributable cash flow in 2004, supported three increases in the monthly rate paid to Unitholders aggregating 14% from a rate of $0.175 per trust unit paid in January 2004 to a rate of $0.20 per trust unit commencing with the September 2004 distribution. Distributions per trust unit paid with respect to 2004 and 2003 distributable cash flows were $2.28 and $2.225 per trust unit, respectively, representing a pay-out ratio of 91% for both years. See "Cash Flow and Financing Activity" for further details. Prior to 2003, 100% of distributable cash flow was paid out to Unitholders.

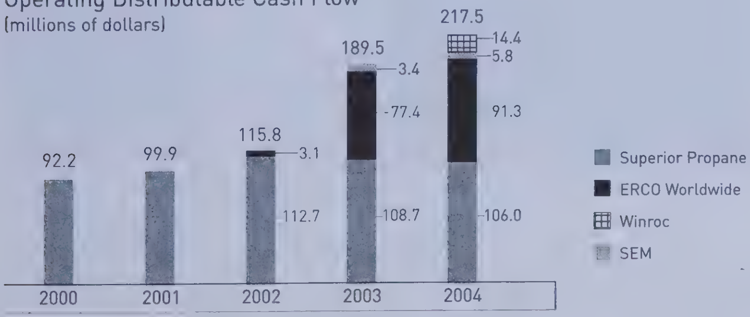
For income tax purposes, distributions paid in 2004 of $2.465 per trust unit are classified as other income of $1.674 per trust unit, a return of capital of $0.068 per trust unit and a dividend of $0.723 per trust unit. A summary of cash distributions since inception and related tax information is posted under the "Investor Information" section of Superior's website at www.superiorplus.com. For 2005, approximately $1.70 per trust unit is expected to be distributed in the form of other income, $0.05 in the form of return of capital, with any remainder expected to be classified as a taxable dividend.

Distributable Cash Flow

Distributable cash flow of the Fund available for distribution to Unitholders, is equal to cash flow from operations before changes in net working capital and after maintenance capital expenditures. Maintenance capital expenditures are equal to capital expenditures incurred to sustain the ongoing capacity of Superior's operations and are deducted from the calculation of distributable cash flow. Acquisitions and other capital expenditures are incurred to expand the capacity of Superior's operations or to increase its profitability and are not deducted from the calculation of distributable cash flow. See Note 1 to the Consolidated Financial Statements for the calculation of distributable cash flow. Distributable cash flow is the main performance measure used by management and investors to evaluate the performance of the Fund and its businesses. Readers are cautioned that distributable cash flow is not a defined performance measure under Canadian generally accepted accounting principles ("GAAP"), and that distributable cash flow cannot be assured. The Fund's calculation of distributable cash flow may differ from similar calculations used by comparable entities. Operating distributable cash flow is distributable cash flow before corporate and interest expense. It is also a non-GAAP measure and is used by management to assess the performance of the operating divisions.

Distributable cash flow increased for the eighth consecutive year, reaching a record $182.5 million or $2.51 per trust unit, compared to $145.4 million or $2.34 per trust unit generated in 2003, after adjusting for the $0.11 per trust unit one-time impact related to the timing of the issue of trust units resulting from the internalization of the management agreements in May of 2003. The management internalization transaction eliminated management incentive fees for the full year and beyond, whereas the trust units issued to finance the transaction were outstanding for only part of 2003. The 7% increase in distributable cash flow per trust unit reflects the benefits of Superior's diversification strategy. The acquisition of Winroc in June 2004, a full year's contribution from ERCO Worldwide's acquisition of Albchem Holdings Ltd. ("Albchem") in the fall of 2003, continued profitable growth from Superior Energy Management and lower Debenture interest expense, significantly outpaced lower results from Superior Propane. As outlined in

Operating Distributable Cash Flow
(millions of dollars)



the preceding chart, the diversification of the Fund's earning base continued in 2004 with Superior Propane, ERCO Worldwide, Winroc and Superior Energy Management ("SEM") contributing 48%, 42%, 7% and 3% of operating distributable cash flow, respectively.

Net earnings were $111.2 million in 2004, compared to a net loss of $19.6 million in 2003. The 2003 net loss included the one-time expense of $141.3 million ($92.5 million after tax) related to the management internalization transaction in 2003. Net earnings for 2004 were reduced by $2.6 million of management retention bonuses, which were, in turn, paid to Superior to repay a portion of trust unit purchase loans advanced as part of the 2003 management internalization transaction. Management internalization related costs have been excluded from distributable cash flow due to the transaction's accretive nature. The remaining improvements in earnings are due to the same reasons distributable cash flow has increased. A more detailed discussion and analysis of the financial and operating results of Superior's businesses is provided on the following pages.

Superior Propane

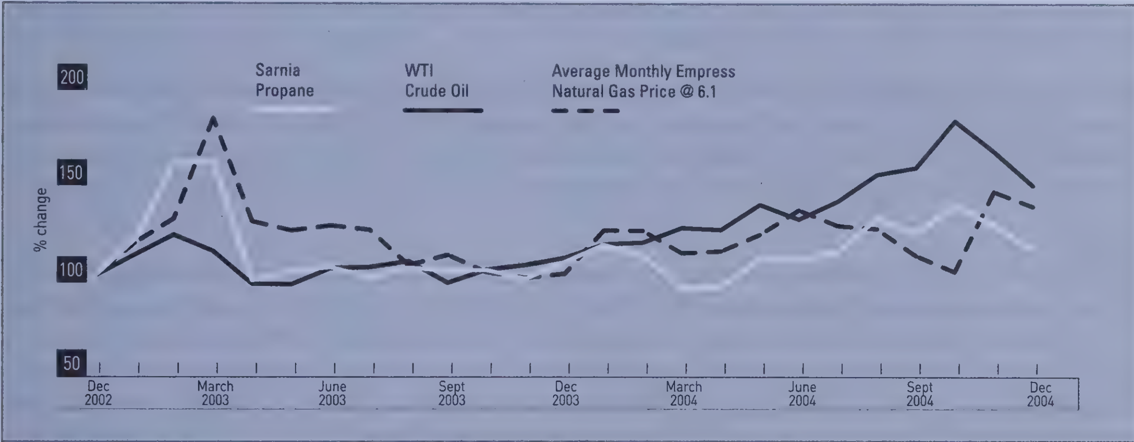
Superior Propane generated operating distributable cash flow of $106.0 million in 2004, representing 48% of the Fund's total. Compared to 2003, Superior Propane's operating distributable cash flow decreased by $2.7 million (2%) due to lower propane sales volumes and increased maintenance capital expenditures, partially offset by improved equipment and service revenue. Condensed operating results for 2004, 2003 and the last five year average are provided in the following table. See Note 16 to the Consolidated Financial Statements for detailed comparative business segment results and page 18 of this Annual Report for selected historical information for the last five years.

(millions of dollars except per litre amounts)	2004		2003		Last Five Year Average	
Gross profit		¢/litre		¢/litre		¢/litre
Propane sales	243.2	15.7	252.5	15.5	255.2	14.8
Other services	43.5	2.8	38.1	2.3	42.8	2.5
Total gross profit	286.7	18.5	290.6	17.8	298.0	17.3
Less: Cash operating, administration and tax costs	(175.1)	(11.3)	(178.4)	(10.9)	(189.4)	(11.0)
Cash generated from operations before changes in net working capital	111.6	7.2	112.2	6.9	108.6	6.3
Maintenance capital expenditures, net	(5.6)	(0.4)	(3.5)	(0.2)	(4.7)	(0.3)
Operating distributable cash flow	106.0	6.8	108.7	6.7	103.8	6.0
Propane volumes sold (millions of litres)	1,544		1,625		1,729	

Propane sales volumes declined by 81 million litres (5%) to 1.544 billion litres in 2004, resulting in a $12.5 million reduction in propane sales gross profit compared to the prior year. Auto propane sales volumes declined by 34 million litres (14%) due to the continued structural decline in this end-use market, representing 42% of the overall decline in Superior Propane's sales volumes. Heating sales volumes declined by 34 million litres (5%) as warmer weather experienced in the first quarter, coupled with a 24% increase in average wholesale propane costs in the fourth quarter compared to the prior year period, encouraged customer conservation and reduced demand. Average temperatures in 2004 across Canada were comparable to 2003 (4% colder than the last five-year average). As shown in the following chart, wholesale propane costs in 2004 were on average 5% higher than in 2003, driven by the sharp increase in crude oil prices experienced throughout 2004. Industrial sales volumes declined by 13 million litres (2%) due to the loss of a few large volume, low margin customers during 2004. Approximately 50% of Superior Propane's sales volumes are to heating related applications and 50% are related to economic activity levels.

Propane sales margins averaged 15.7 cents per litre in 2004, increasing 1% over 2003 due to an improved business mix, reflecting the decline in low margin auto propane and industrial sales. Increased sales margins added $3.2 million to propane sales gross profit in 2004. The increase in wholesale propane prices experienced during 2004, dampened margin performance as sales margins typically decline during periods of rising propane commodity prices due to delays in passing on prices to customers. Conversely, sales margins typically increase when propane commodity prices decline.

Relative Change in Sarnia Wholesale Propane Prices vs WTI Crude Oil and Natural Gas



Gross profit from other services reached $43.5 million in 2004, an increase of $5.4 million (14%) over the prior year, due to increased equipment rental rates and improved profitability from service operations.

Gross profits generated in 2004 were within 4% of the five year average and have not deviated by more than 8% in each of the last five years, reflecting Superior Propane's leading market share and considerable operational and customer diversification. Superior Propane's operational risks are well distributed across its 47 market operations, with the largest five markets representing approximately 26% of cash generated from operations. Superior Propane's customer base approaches 300,000 and is well diversified geographically and across end-use applications as illustrated in the table below. Its largest customer contributed approximately 1% of gross profits in 2004.

Superior Propane Annual Sales Volumes and Gross Profit

By End-Use Application	2004		2003		By Region	2004		2003	
Applications:	Volume[1]	GP[2]	Volume[1]	GP[2]	Regions:	Volume[1]	GP[2]	Volume[1]	GP[2]
Residential	192	61.6	206	67.2	Atlantic	115	32.7	116	31.4
Commercial	363	69.1	384	80.4	Quebec	283	52.4	298	51.2
Agricultural	127	14.2	126	13.9	Ontario	348	78.4	392	82.4
Industrial	658	74.3	671	66.9	Sask./Man.	226	28.6	215	27.4
Automotive	204	24.0	238	24.1	AB/NWT/YK	345	55.1	364	57.1
Other services	–	43.5	–	38.1	BC	227	39.5	240	41.1
	1,544	286.7	1,625	290.6		1,544	286.7	1,625	290.6
Average margin[3]	15.7		15.5		Average margin[3]	15.7		15.5	

(1) Volume: Volume of propane sold (millions of litres).

(2) GP: Gross profit (millions of dollars).

(3) Average margin: Average propane sale margin (cents per litre).

Cash operating, administration and tax costs were $175.1 million, a decrease of $3.3 million (2%) from the prior year. Cash operating costs were 11.3 cents per litre in 2004, up 4% over 2003. Steps were taken during the second quarter to improve operating efficiencies, resulting in a 7% reduction in employees and improved cost performance over the second half of 2004 compared to the prior year period.

Net maintenance capital expenditures reached $5.6 million, an increase of $2.1 million over the prior year. Fleet replacement costs increased as anticipated as asset productivity improvements generated from the integration of ICG Propane have been fully realized. Net maintenance capital expenditures in 2005 are expected to rise to a sustainable level in the $7 to $9 million range.

Growth capital expenditures of $4.2 million (2003 – proceeds of $0.3 million) included the acquisition of an Ontario fuel oil distributor to pilot the expansion of Superior Propane's product line into heating oil and related products. These expenditures have been included in the "other capital expenditures" and "acquisitions" lines on the Consolidated Statement of Cash Flows and have been excluded from the distributable cash flow calculation.

Outlook

For 2005, Superior Propane will focus on improving the performance of its core business while exploring opportunities to grow its business profitably in Canada and the United States. The $28.0 million acquisition of Foster Energy, a natural gas liquids wholesale marketing business, completed in February 2005, enhances Superior Propane's supply and logistics capabilities and increases its exposure to the retail propane market in the United States. Operating distributable cash flow is anticipated to increase modestly as continued improvement in service profitability, operating efficiency and contributions from Foster Energy, are expected to exceed higher maintenance capital requirements.

Business Risks

Competition. Propane retailing is a local, relationship-based business, in which propane competes for market share based on price and level of service. There are close to 200 propane retailers in Canada. Barriers to entry are relatively low. Propane is subject to vigorous competition from other sources of energy, including natural gas, fuel oil, electricity, wood, gasoline, diesel and other fuels. Propane prices are affected by crude oil and natural gas prices.

Seasonality and Weather Conditions. Historically, overall propane demand from non-automotive end-use applications has been stable. However, weather and general economic conditions affect propane market volumes. Weather influences the demand for propane primarily for space heating uses and also for agricultural applications, such as crop drying. Approximately three-quarters of Superior Propane's annual cash flow is typically generated in the October-March winter heating season. Superior Propane accumulates propane inventory during the summer months for delivery to customers during the winter heating season. The cost of inventory may be higher or lower than market prices for propane at the time of sale and can impact profitability.

Propane Demand, Supply and Pricing. Propane represents less than 2% of the overall Canadian energy market and is used in a wide range of applications, including residential, commercial, industrial, agricultural and automotive uses. Demand for traditional propane end-use applications is increasing marginally with general economic growth. Demand for automotive uses is presently declining at a rate of approximately 15 to 20% per year due to the development of more fuel-efficient and complicated engines which increase the cost of converting engines to propane and reduce the savings per kilometre driven. Reversal of this market trend will require increased support of governments and original equipment vehicle manufacturers. Based on the most recently available industry data, it is estimated that on an annual basis, approximately 11.8 billion litres of propane are produced in Canada of which about 3.8 billion litres are consumed domestically. The remainder is exported to the United States. Superior Propane's supply is currently purchased from 14 propane producers in Canada. Superior Propane leases underground propane storage capacity in Marysville, Michigan and at Fort Saskatchewan, Alberta and accumulates propane storage positions during the summer months to provide it with further supply security and distribution capacity in periods of supply disruption and high demand in the winter season. Propane is mainly purchased under annual contracts, with pricing arrangements based on industry posted prices at the time of delivery. The retail propane business is a "margin-based" business where the level of profitability is largely dependent on the difference between retail sales prices and wholesale

product costs. Changes in propane supply costs are normally passed through to customers, but timing lags may result in both positive and negative gross margin fluctuations.

Fixed-Price Offerings. Superior Propane offers its customers various fixed-price propane programs. In order to mitigate the price risk from offering these services, Superior Propane uses its physical inventory position, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. Gains and losses from the customer contract and the mitigating supply transaction are recorded simultaneously into income at the time of settlement. See Note 14(ii) to the Consolidated Financial Statements for fixed-price propane purchase and sale commitment amounts.

Employee and Labour Relations. As of December 31, 2004, Superior Propane had 1,470 regular and 245 part-time employees. Approximately 422 or 29% of its employees are unionized through seven provincial or regional certifications in British Columbia/Yukon, Manitoba, Ontario and Quebec with expiry dates ranging from April 2005 to June 2006. Collective bargaining agreements are renegotiated in the normal course of business and are not expected to materially affect Superior Propane's business.

Environmental, Health and Safety Risk. Slight quantities of propane may be released during transfer operations. The storage and transfer of propane has limited impact on soil or water given that a release of propane will disperse into the atmosphere. To mitigate risks, Superior Propane has established a comprehensive program directed at environmental, health and safety protection. This program consists of an environmental policy, codes of practice, periodic self-audits, employee training, quarterly and annual reporting and emergency prevention and response.

ERCO Worldwide

ERCO Worldwide generated operating distributable cash flow of $91.3 million in 2004, representing 42% of the Fund's total. Compared to 2003, operating distributable cash flow increased by $13.9 million (18%), due principally to a full year's contribution from the acquisition of Albchem, partially offset by lower technology royalty revenue. Albchem was acquired on October 1, 2003 for $122.8 million on a debt free basis, and increased ERCO Worldwide's annual sodium chlorate production capacity by 26% to 580,000 tonnes, representing an estimated 29% share of North American sodium chlorate production capacity (21% of worldwide capacity). The integration of Albchem's operations was successfully completed during 2004, and provided expected operating synergies and flexibility and broadened ERCO Worldwide's customer base in North America and the growing Asian market.

Condensed operating results for 2004 and 2003 are provided in the following table. See Note 16 to the Consolidated Financial Statements for detailed comparative business segment results and page 18 of this Annual Report for selected historical information for the last five years.

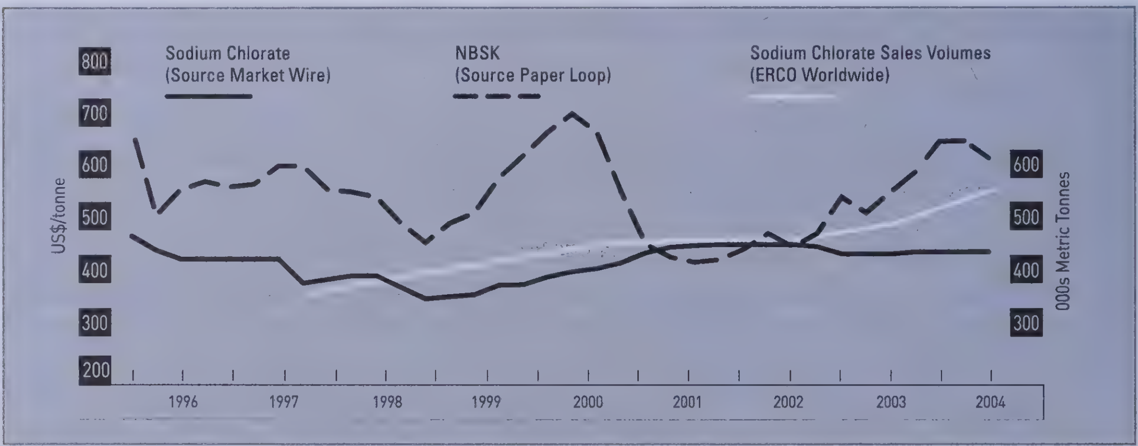
(millions of dollars except per metric tonne ("MT") amounts)	2004		2003	
		$/MT		$/MT
Revenue				
Chemicals	370.3	571	328.7	573
Technology	25.7	40	27.6	48
Cost of sales				
Chemicals	(191.2)	(295)	(173.1)	(302)
Technology	(11.6)	(18)	(10.2)	(17)
Gross profit	193.2	298	173.0	302
Less: cash operating, administration and tax costs	(94.3)	(145)	(89.2)	(155)
Cash generated from operations before changes in net working capital	98.9	153	83.8	147
Maintenance capital expenditures, net	(7.6)	(12)	(6.4)	(11)
Operating distributable cash flow	91.3	141	77.4	136
Chemical volumes sold (thousands of MT)	649		574	

Chemical revenues reached $370.3 million in 2004, an increase of 13% over 2003, due principally to the addition of the Albchem sales volumes. Similarly, gross profit increased by 15% or $23.5 million over 2003. Average realized selling prices of $571 per tonne were comparable to the prior year as higher selling prices and $10 million realized from ERCO Worldwide's foreign exchange hedging program in 2004, offset the impact of the 7% year over year appreciation of the Canadian dollar against the United States dollar denominated sales. (See "Business Risks – Foreign Currency Rate Risk" for discussion of hedge positions). Chemical cost of sales per unit declined by 2% to $295 per tonne. The addition of the two Albchem plants facilitated improved raw material procurement performance and operating flexibility in 2004 as production can be quickly ramped up or down at minimal cost in response to customer demand, electricity costs, or maintenance requirements across its expanded network of eight sodium chlorate manufacturing facilities. Production capacity utilization averaged 96%, down slightly from 2003.

Technology revenue of $25.7 million in 2004, generated a gross profit contribution of $14.1 million, down $3.3 million from the prior year, due principally to the normal course expiry of 10 year chlorine dioxide generator royalty licenses.

Sodium chlorate sales represent approximately 81% of ERCO Worldwide's total revenue and are principally sold to bleached pulp manufacturers. Sodium chlorate is required to generate chlorine dioxide that bleaches the pulp and represents approximately 5% of the variable cost to manufacture bleached pulp. As a result, sodium chlorate sales volumes and prices tend to be very stable over time despite the volatility of bleached pulp prices (see the following chart). ERCO Worldwide's top 10 customers comprised approximately 54% of its revenues in 2004, with its largest customer representing 9% of its revenues.

Pulp Prices Compared to Sodium Chlorate Prices & Sales Volumes



Cash operating, administration and tax costs were $94.3 million in 2004, an increase of $5.1 million over the prior year, due to the full year addition of overhead costs at the two Albchem sodium chlorate plants as well as $2.1 million incurred in September to exit the calcium hypochlorite business. The elimination of calcium hypochlorite production enables increased sales of chlorine and caustic, and is anticipated to contribute to increased profitability going forward.

Maintenance capital costs of $7.6 million in 2004, increased by $1.2 million over the prior year due principally to the addition of the two Albchem sodium chlorate plants. For 2005, maintenance capital expenditures are expected to be comparable to 2004 levels.

Growth capital expenditures on the five year sodium chlorate cell replacement program continued with $4.3 million spent during 2004 ($12.2 million cumulatively). The project is approximately 45% complete with expenditures of $12.0 million anticipated over the next three years. Estimated annual electrical energy savings of $2 million are being realized. Cell design work has resulted in design modifications which are expected to result in additional electrical efficiencies. The cell replacement program is considered to be growth capital in nature as the project will improve the production efficiency of the business. Growth capital expenditures in 2003 aggregated $130.1 million, comprised of $122.8 million to acquire Albchem, $3.9 million of cell replacement expenditures, and $3.4 million to complete the sodium chlorite plant in Thunder Bay, Ontario.

During the third quarter, ERCO Worldwide entered into a long-term sodium chlorate supply agreement with CMPC Celulosa S.A. ("CMPC"), a division of Empresas CMPC S.A., one of the world's leading producers of bleached pulp. As part of this agreement, ERCO Worldwide will construct a sodium chlorate manufacturing plant adjacent to the CMPC Pacifico Mill and supply CMPC's three pulp mills located in Chile. This new plant is estimated to cost Cdn. $65 million and is scheduled to start up in mid-2006, increasing ERCO Worldwide's sodium chlorate production capacity by 10% to approximately 635,000 tonnes. Procurement and site permitting work has been initiated with expenditures of $1.4 million incurred to date. Construction costs are expected to be funded from existing revolving term bank facilities.

Outlook

ERCO Worldwide's results in 2005 are anticipated to be comparable to 2004, as increased sales volumes and prices are expected to be offset by increased electrical energy costs and the impact of the appreciation of the Canadian dollar on US dollar denominated sales. ERCO Worldwide continues to focus on opportunities to increase its operational efficiencies and to explore other growth opportunities. The construction of the new sodium chlorate plant in Chile provides a sound platform to penetrate the growing South American sodium chlorate market at minimum risk and is expected to contribute to ERCO's profitability upon start-up in 2006.

Business Risks

Competition. ERCO Worldwide, one of four global sodium chlorate producers, competes with Eka Chemicals, Finnish Chemicals and Nexen Chemicals on a worldwide basis. The business also competes with a number of smaller regional producers. Key competitive factors include price, product quality, logistics capability, reliability of supply, and technical capability and service. Of the global producers, Finnish Chemicals and Nexen Chemicals do not provide chlorine dioxide generators or related technology. The business also competes with various other chemical producers, such as Dow Chemicals, Pioneer, Arch Chemicals, Inc., Nexen Chemicals, Occidental Chemicals, and Vulcan Chemicals, in the sale of its other chemical products.

Foreign Currency Rate Risk. Approximately 49% of ERCO Worldwide's production is manufactured in Canada and sold to customers in the United States and offshore and are denominated in US dollars. ERCO Worldwide manages its exposure to fluctuations between the US and Canadian dollar by entering into hedge contracts with external third parties and internally with other Superior Plus divisions. Approximately 72%, 66%, 28% and 11% of ERCO Worldwide's parties US dollar cash flows for the years 2005, 2006, 2007 and 2008, respectively, have been hedged. (See "Foreign Currency Hedging" and Note 14(iv) to the Consolidated Financial Statements).

Supply Arrangements. ERCO Worldwide uses three primary raw materials to produce its chemical products: electricity, salt and water. Electricity comprises 75% to 85% of variable production costs. The business has long-term contracts or contracts that renew automatically with power producers in each of the jurisdictions in which its plants are located. These contracts generally provide ERCO Worldwide with some portion of firm power supply and a portion that may be interrupted by the producer based on the terms of the various agreements. The business can reduce its power consumption quickly and at minimal cost, which allows it, in some jurisdictions, to reduce its overall power costs by selling ancillary services back to the power producer or to the power grid. In jurisdictions where electrical costs are deregulated, fixed-price term supply contracts are entered into in order to manage production costs. Approximately 29% of ERCO Worldwide's annual power requirements are located in deregulated electricity jurisdictions, of which approximately two-thirds of their annual requirements have been sourced through fixed cost electrical contracts, for remaining terms of one to twelve years with three investment grade counter-parties. (See Note 14(iii) to the Consolidated Financial Statements).

ERCO Worldwide purchases salt from third-party suppliers at each of its plants with the exception of the Bruderheim, Hargrave and Saskatoon facilities, which are self-supplied through long-term salt reserves that are solution mined on site. Salt purchase contracts are typically fixed-price contracts with terms of one year or greater, often with automatic renewals. Salt costs typically comprise about 10% of variable production costs of sodium chlorate.

Environmental Risk. ERCO Worldwide's operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous and are regulated by environmental and health and safety laws, regulations and requirements. ERCO Worldwide is a founding member of Responsible Care®, an initiative of the Canadian Chemical

Producers Association, an association that promotes the safe and environmentally sound management of chemicals. ERCO Worldwide manages its environmental and safety risk in a manner consistent with Responsible Care protocols and strives to achieve an environmental and safety record that compares favourably with other businesses in the chemical industry. The business has not had a material environmental or safety incident for over 12 years and has steadily reduced the number of safety and environmental incidents at all of its facilities.

Employee and Labour Relations. As at December 31, 2004, ERCO Worldwide has 409 employees of which approximately 157 (38%) are unionized. The three plants in Vancouver, Saskatoon and Buckingham are subject to collective bargaining agreements which expire from 2007 to 2009.

Winroc

Superior purchased Winroc, the seventh largest distributor of specialty walls and ceilings construction products in North America, effective June 11, 2004, for cash consideration of $104.2 million on a debt free basis, including transaction costs. The acquisition of Winroc provides Superior with further business diversification and an additional platform for value growth. Winroc is a well established margin based distribution service business with characteristics similar to that of Superior Propane. The accounting for the acquisition is more fully described in Note 4 to the Consolidated Financial Statements.

Since its acquisition on June 11, 2004, Winroc has generated strong performance, contributing $14.4 million of operating distributable cash flow, representing 7% of the Fund's total. For comparison purposes, Winroc's condensed operating results for the years 2004 and 2003 are provided in the following table. In addition, selected historical information for the last five years is provided on page 19 of this Annual Report.

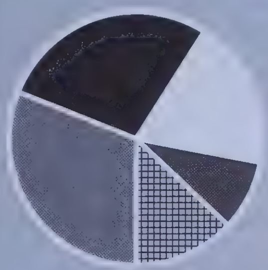
(millions of dollars)	June 11 – December 31	Year Ended December 31	
	2004	2004	2003
Distribution sales gross profit	46.9	79.9	61.7
Direct sales gross profit	2.6	4.4	3.6
Gross profit	49.5	84.3	65.3
Less: Cash operating, administration and tax costs	(32.5)	(56.4)	(47.4)
Cash generated from operations before changes in net working capital	17.0	27.9	17.9
Capital expenditures, net	(2.6)	(6.9)	(5.8)
Operating distributable cash flow	14.4	21.0	12.1

Operating distributable cash flow for the year ended December 31, 2004 reached $21.0 million, an increase of $8.9 million or 74% over the prior year. Distribution operations contributed $8.8 million of this increase due to the year-over-year growth in distribution branches from 27 to 32, the relocation of two existing branches to larger operating locations, and robust residential new construction demand activity, particularly in the United States. Sales revenue reached $384.8 million in 2004, an increase of 24% over the prior year. Gypsum board sales volumes from distribution operations increased by 19% over the prior year, and provide an indication of overall sales volume trends from distribution operations. Gross profit margins improved slightly over the prior year due to Winroc's increased purchasing scale. Gross profit earned from direct sales to third party distributors increased by $0.8 million over the prior year due to strong industry demand conditions and an increase in the number of distributors serviced. Cash operating, administration and tax costs were $56.4 million in 2004, an increase of 19% over the prior year period, due to increased distribution volumes and the increase in the number of operating locations. Net capital expenditures of $6.9 million in 2004 and $5.8 million in 2003, were above ongoing maintenance capital requirements as expenditures were increased in support of anticipated distribution volume growth. Maintenance capital expenditures in 2005 are expected to be in the $4 to $5 million range.

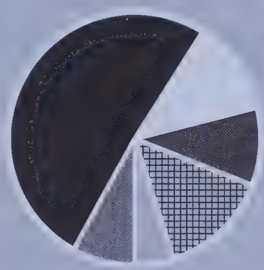
In December 2004, Winroc expanded its distribution operations into Ontario by acquiring the business of Interior Building Supplies Company Ltd. ("IBS") with operations located in Windsor, London and Cambridge, Ontario for $12.2 million on a debt free basis. The IBS acquisition cost has been included in "acquisitions" on the Consolidated Statement of Cash Flows and excluded from the distributable cash flow calculation.

Winroc enjoys considerable geographic and customer diversification servicing over 5,600 customers across 32 distribution branches (See "Distribution Revenues by Region" pie chart). Winroc's 10 largest customers represent approximately 14% of its annual distribution sales. Winroc enjoys a strong position in the distribution markets where it operates, supported by its complete walls and ceilings product line and procurement capabilities (See "Distribution Revenues by Product" pie chart).

Distribution Revenues by Region – 2004

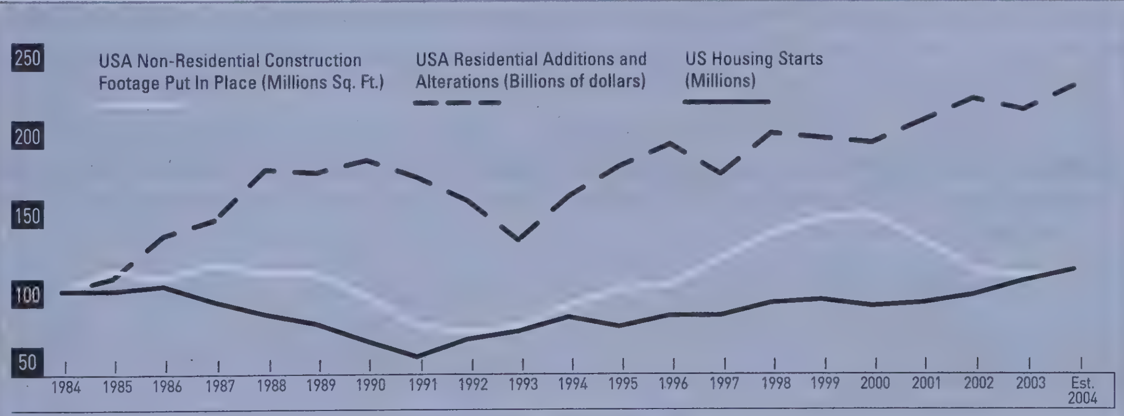


Distribution Revenues by Product – 2004



Sales to commercial builders and contractors are comprised of Winroc's full product line whereas sales to residential builders and contractors are principally comprised of gypsum board and accessories, insulation and plaster products. Demand for walls and ceiling construction products is influenced by overall economic conditions with an estimated 50% of sales servicing residential new construction and remodeling activity and 50% of sales servicing commercial new construction and remodeling activity. Overall demand has grown steadily over time as new commercial construction demand trends have historically lagged new residential construction, while remodeling expenditures have increased steadily. (See "End-Use Construction Demand Profile" chart).

End-Use Construction Demand Profile



Outlook

For 2005, Superior's operating distributable cash flow will benefit from a full year's ownership of Winroc. Additionally, Winroc's 2005 annual operating distributable cash flow performance is anticipated to increase modestly as a result of the IBS acquisition, continued growth of existing distribution operations, and continued strong industry demand trends. Winroc continues to explore opportunities to profitably expand its distribution operations through a combination of expanding greenfield locations and acquisitions.

Business Risks

Competition. The North American walls and ceilings construction product business generates estimated annual sales revenues of $16 billion. Specialty distributors such as Winroc service the builder/contractor market representing 50% to 60% of total industry revenues with the remainder sold through big-box home centres and independent lumber yards which service the "do-it-yourself" market as well as direct sales to modular home manufacturers. The specialty walls and ceilings distribution business is a local, relationship based business in which distributors compete on the basis of price and service. Barriers to entry are relatively low. Winroc positions itself as a productivity partner with the installing contractor, providing value added "stock and scatter" job site service. Winroc's multi-location distribution network, strong market position and Allroc purchasing operation, provide it with purchasing scale, product line breadth and knowledge that assists its customers, providing it with a competitive advantage over smaller competitors. The specialty distribution sector is highly fragmented with the top seven competitors representing an estimated 25% of overall North American industry revenues.

Demand, Supply and Pricing. Demand for walls and ceilings building materials is affected by changes in general and local economic factors including demographic trends, employment levels, interest rates, consumer confidence and overall economic growth. These factors in turn impact the level of existing housing sales, new home construction, new non-residential construction, and office/commercial space turnover.

Housing starts reflect the level of new residential construction activity. The level of new commercial construction activity has historically lagged new residential activity as commercial infrastructure is put in place to service residential development. Renovation activity trends have historically followed existing home resales and turnover of occupants in commercial building space. Winroc's sales are moderately seasonal, consistent with new construction and renovation market activity, with approximately 53% of revenues generated during the second and third quarters.

Winroc carries a comprehensive product line comprised of over 23,000 stock keeping units. Its six principal product lines (See Distribution Revenues by Product pie chart), are sourced from over 100 suppliers. Winroc is not reliant on any one supplier to source product within its principal product lines. Winroc leverages its purchasing capability through its Allroc purchasing division, which provides third-party purchasing services for over 38 independent distributors and retailers. Winroc purchases its products pursuant to various purchasing programs and does not enter into long-term purchase contracts.

The walls and ceilings specialty distribution business is a "margin-based" business where the level of profitability is dependent on the difference earned between selling prices and wholesale product cost, management of operating expenses and working capital. Changes in product costs are normally passed through to customers, but timing lags may result in both positive and negative fluctuations of gross margins.

Employee and Labour Relations. As at December 31, 2004, Winroc had 677 employees of which approximately 68 (10%) are unionized at three locations. Collective bargaining agreements expire between March 2005 and 2008, and are renegotiated in the normal course of business.

Health, Safety and Environment. Distribution of walls and ceilings construction products is a physically challenging job. Winroc is committed to a safe workplace, and maintains safe working practices through proper procedures and direction and utilization of equipment such as forklift trucks, cranes and carts. Winroc handles and stores a variety of construction materials and maintains appropriate materials handling compliance programs.

Superior Energy Management ("SEM")

SEM generated operating distributable cash flow of $5.8 million in 2004, representing 3% of the Fund's total. Compared to 2003, SEM's operating distributable cash flow increased by $2.4 million (71%) due to increased natural gas sales volumes and margins partially offset by higher selling and administration costs. Condensed operating results for 2004 and 2003 are provided in the following table. See Note 16 to the Consolidated Financial Statements for detailed comparative business segment results and page 19 of this Annual Report for selected historical information for the last three years since its inception.

(millions of dollars except per gigajoule ("GJs") amounts)	2004		2003	
		¢/GJ		¢/GJ
Gross profit	13.4	47.7	8.1	38.8
Less: Cash operating, administration and selling costs	(7.6)	(27.1)	(4.7)	(23.0)
Operating distributable cash flow	5.8	20.6	3.4	15.8
Natural gas sold (millions of GJs)	28.1		20.9	

SEM commenced fixed-price, term natural gas sales in October 2002 to commercial, light industrial and residential customers in Ontario. In 2004, SEM increased its sales focus on the Ontario residential market and expanded into the Quebec commercial market. Gross profit from natural gas sales reached $13.4 million, an increase of 65% from the prior year. Sales volumes increased by 34% to 28.1 million GJs while sales margins increased 23% to 47.7 cents/GJ. Higher sales margins in 2004 resulted from growth in higher margin residential sales volumes. Sales margins in 2003 were constrained by customer contracts acquired in the fourth quarter of 2002 at no margin that were renewed at normal commercial margins throughout 2003.

Cash operating, administration and selling costs were $7.6 million in 2004, an increase of $2.9 million (62%) over 2003. Higher administrative costs incurred to support SEM's expanded activity level, contributed one-third of the overall cost increase with the remaining increase due to higher selling costs associated with the growth in SEM's customer base. Costs incurred to obtain customer sales contracts are expensed at the time gas deliveries commence.

SEM successfully increased the value of its business during 2004 by expanding its contracted customer base by 167% to 28,800 customers and extending the average remaining term of its customer contracts by 88% to 32 months. SEM sells fixed-price natural gas for terms up to five years. SEM's largest customer represented 6% of 2004 gross profits (2003 – 10%). SEM's largest supplier represented 44% of its fixed-price supply portfolio.

Outlook

SEM plans to continue to grow its fixed-price natural gas business in 2005, with emphasis on growing its residential business in Ontario and commercial business in Quebec. SEM plans to review the Ontario government's detailed deregulation plans, released in February 2005, and assess the merits of entering the Ontario fixed-price commercial/light industrial electricity market.

Business Risks

Fixed-Price Offerings. SEM resources its fixed-price term natural gas sales commitments by entering into various forward financial and physical natural gas and US dollar foreign exchange purchase contracts for similar terms and volumes to create an effective Canadian dollar fixed-price cost. SEM transacts with 12 financial and physical natural gas counterparties. The financial condition of each counterparty is evaluated and credit limits established to reduce SEM's exposure to credit risk of non-performance. See "Foreign Currency Hedging" and Notes 14(ii) and 14(iv) to the Consolidated Financial Statements for fixed-price natural gas and foreign exchange purchase commitment amounts. A marginally long fixed-price natural gas position is maintained in order that SEM's sales team and agents can market fixed-price offerings to potential customers with a known cost of gas. Unmatched forward natural gas and foreign exchange positions are monitored daily in compliance with SEM's risk management policy.

Balancing. SEM purchases natural gas to meet its estimated commitments to its customers based upon the historical consumption of gas by its customers evidenced by the records of the local natural gas distribution utility ("LDC") that services a particular customer. Depending on several factors including weather and customer attrition, customer natural gas consumption may vary from the volume purchased by SEM. Consumption variances must be reconciled and settled at least annually and may require SEM to purchase or sell natural gas at market prices which could adversely impact SEM's profitability. To mitigate potential balancing risk, SEM accrues estimated balancing costs on an ongoing basis and actively monitors and manages its balancing positions.

Regulatory Environment. SEM operates in the highly regulated natural gas industry in the provinces of Ontario and Quebec. Changes to existing legislation could impact SEM's operations. As part of the ABC services (Agent, Billing & Collection services), LDCs are mandated to perform certain services on behalf of SEM including invoicing, collection and assuming specific bad debt risks associated with SEM's customers under these types of customer arrangements. In addition, the LDC's perform regulated services that include storage and distribution of the natural gas. If the rules mandating LDCs to provide ABC services were withdrawn, there is no assurance the LDCs would continue to provide these services. This could require SEM to resource these services directly, potentially adversely impacting its profitability and business risk.

Corporate

Cash corporate administrative costs were $6.9 million in 2004, which is comparable to prior years. Cash taxes were limited to federal and provincial capital taxes of $3.5 million (2003 – $3.2 million), similar to prior year levels as income taxes were fully deferred. Capital and income taxes have been allocated to Superior's four business segments based on net taxable capital deployed and net earnings, respectively. Cash taxes are expected to remain at similar levels for 2005.

Interest expense on revolving term bank credits and term loans was $15.5 million in 2004, an increase of $0.8 million over the prior year period, due to a modest increase in average debt levels in 2004 used to finance growth capital expenditures. Lower floating interest rates in 2004 were offset by the full year impact of the issuance of higher cost 10-year average life debt in the fourth quarter of 2003. Interest on the Fund's 8% Series 1 and Series 2 convertible unsecured subordinated debentures (the "Debentures") was $13.6 million in 2004, down $9.1 million from the prior year, due to the conversion of $118.1 Debentures into 6.0 million trust units during 2004 (See "Cash Flow and Financing Activity"). As at December 31, 2004, approximately 17% of Superior's total debt obligations (including accounts receivable sales program) are subject to fixed interest rates, 71% are subject to Canadian floating interest rates and 12% are subject to US dollar floating interest rates.

Quarterly Financial and Operating Information

Quarterly financial and operating information for 2004 and 2003 is provided in the table below. Superior's overall operating cash flow and working capital funding requirements are modestly seasonal as approximately three-quarters of Superior Propane's operating cash flow is generated during the first and fourth quarters of each year as approximately 50% of its sales are generated from space heating end-use applications. Net working capital funding requirements follow a similar seasonal trend, peaking during the first quarter of each year and declining to seasonal lows during the third quarter. The seasonality of Winroc's operating cash flow and working capital funding requirements are complementary to Superior Propane's as new construction and remodelling activity typically peaks during the second and third quarter of each year. ERCO Worldwide and SEM's operating cash flow and net working capital requirements do not have significant seasonal fluctuations.

(millions of dollars except per trust unit amounts)	2004 Quarter				2003 Quarter			
	First	Second	Third	Fourth	First	Second[2]	Third	Fourth
Propane sales volumes (millions of litres)	514	302	290	438	542	318	298	467
Chemical sales volumes (thousands of MTs)	155	161	163	170	139	132	138	165
Natural gas sales volumes (millions of GJs)	7	7	7	7	4	5	6	6
Gross profit	141.4	116.0	130.2	155.2	139.2	100.0	95.0	137.5
Net earnings (loss)	36.7	21.1	20.4	33.0	30.3	(88.1)	11.5	26.7
Per basic trust unit	$ 0.52	$ 0.29	$ 0.28	$ 0.44	$ 0.62	$ (1.60)	$ 0.18	$ 0.39
Per diluted trust unit	$ 0.49	$ 0.29	$ 0.27	$ 0.43	$ 0.56	$ (1.60)	$ 0.18	$ 0.39
Distributable cash flow	60.1	31.3	36.1	55.0	57.4	21.2	17.8	49.0
Per basic trust unit	$ 0.85	$ 0.43	$ 0.49	$ 0.73	$ 1.18	$ 0.38	$ 0.27	$ 0.71
Per diluted trust unit	$ 0.76	$ 0.42	$ 0.48	$ 0.69	$ 0.98	$ 0.38	$ 0.27	$ 0.66
Net working capital[1]	(3.8)	36.2	62.9	97.9	60.5	26.4	32.5	36.9

(1) Net working capital reflects amounts as at the quarter end and is comprised of accounts receivable and inventories, less accounts payable and accrued liabilities.

(2) Second quarter 2003 results include a one time expense of $141.3 million ($92.5 million after tax) related to the internalization of management. See Note 15(i) to the Consolidated Financial Statements.

Fourth Quarter Results

Fourth quarter 2004 distributable cash flow reached $55.0 million, an increase of $6.0 million (12%) over the prior year period. Operating distributable cash flow increased by $2.7 million as strong performance from Winroc, acquired in June 2004, more than offset lower results from Superior Propane that were impacted by soft heating end-use sales demand and increased maintenance capital expenditures. The remaining $3.2 million improvement was due to lower Debenture interest expense due to the conversion of Debentures into trust units as well as lower corporate administration costs, partially offset by higher borrowing costs associated with financing the Winroc acquisition. Net earnings increased by 24% over the prior year period, consistent with the increase in distributable cash flow. Distributable cash flow per trust unit reached $0.73 per trust unit, an increase of 3% over the prior year period as the 12% increase in distributable cash flow was partially offset by a 9% increase in the weighted average number of trust units outstanding in the fourth quarter of 2004 due to conversion of Debentures and the exercise of warrants during 2004. Further discussion of the 2004 fourth quarter results is provided in the Fund's Fourth Quarter and 2004 Earnings Release, dated March 9, 2005.

Capital Resources

The Fund's distributions to Unitholders are sourced entirely from its equity and Shareholder Note investments in Superior. The Fund's investments are in turn financed by trust unit equity and by the Debentures. The quoted market value of the Fund's trust unit capital and Debentures was $2.3 billion and $179 million, respectively, based on closing prices on December 31, 2004 on the Toronto Stock Exchange.

Superior's net working capital requirements are financed from revolving term bank credit facilities and by proceeds raised from a trade accounts receivable sales program. Maintenance capital requirements are funded from operating cash flow. Distributions are funded by, and to the extent of, operating cash flow after deducting maintenance capital expenditures and other provisions as deemed appropriate. Capital required to finance Superior's growth is funded by a combination of equity capital, retained distributable cash flow, and debt as appropriate to maintain a strong and flexible financial position to support the efficient execution of its business plans. Superior and the Fund have financed their growth over time consistent with these financing policies as demonstrated by the following table:

(millions of dollars)	2000	2001	2002	2003	2004	Total	
Acquisitions and other capital expenditures:							
Superior Propane	–	2.1	(5.1)	(0.3)	4.2	0.9	
ERCO Worldwide	–	–	584.5	130.1	5.7	720.3	
Winroc	–	–	–	–	116.4	116.4	
	–	2.1	579.4	129.8	126.3	837.6	
Financed by:							
Total debt [1]	–	2.1	549.1	(293.9)	(16.4)	240.9	29%
Trust unit capital [2]	–	–	30.3	413.1	126.2	569.6	68%
Retained distributable cash flow	–	–	–	10.6	16.5	27.1	3%
	–	2.1	579.4	129.8	126.3	837.6	100%
Debt leverage:							
Senior Debt/EBITDA [3][4]	2.7	1.7	2.6	2.0	2.2		
Total Debt/EBITDA [1][4]	2.7	2.8	4.2	3.1	2.7		

(1) Total Debt financing includes changes in senior debt, proceeds from the trade accounts receivable sales program, and Debentures issued by the Fund, net of Debentures converted into trust unit capital.

(2) Trust unit capital financing represents trust unit capital issued directly and through conversion of Debentures and Warrants into trust units.

(3) Senior Debt includes senior debt and proceeds from trade accounts receivable sales programs.

(4) EBITDA is a non-GAAP measure that represents earnings before interest, taxes, depreciation and amortization calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures and is used by Superior to calculate its debt covenants and other credit information. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities.

Cash Flow and Financing Activity

As detailed in Note 1 to the Consolidated Financial Statements, distributable cash flow reached $182.5 million in 2004, a 25% increase over $145.4 million generated in 2003. In March 2004, the Fund announced the discontinuance of its previous practice of paying annual "top-up" distributions with respect to any remaining undistributed cash flow generated in the prior year, in favour of paying out an increased proportion of expected sustainable distributable cash flow on a regular monthly basis. Prior to this change in distribution practice, the Fund paid out 100% of its distributable cash flow to Unitholders. As detailed in the table below, the Fund paid out 91% of its distributable cash flow in 2004 and 2003, with the remaining undistributed cash flow of $16.5 million (2003 – $10.6 million) being reinvested in the business.

(millions of dollars except per trust unit amounts)	2004		2003	
		Trust Unit		Trust Unit
Distributions paid in the calendar year	179.1	$ 2.465	133.4	$ 2.28
Less: March "top-up" distribution paid with respect to prior year	(13.1)	(0.185)	(11.7)	(0.24)
Add: March "top-up" distribution paid in following year	n/a	n/a	13.1	0.185
Distributions paid with respect to current year's distributable cash flow	166.0	$ 2.28	134.8	$ 2.225
Reinvested distributable cash flow	16.5	0.23	10.6	0.225
Distributable cash flow (Note 1 to the Consolidated Financial Statements)	182.5	$ 2.51	145.4	$ 2.45
Distribution pay out ratio		91%		91%

Net working capital funding requirements, excluding acquisitions, increased by $28.1 million in 2004 over the prior year due mainly to the impact of higher wholesale propane costs at Superior Propane and higher sales and product costs at Winroc. See Note 16 to the Consolidated Financial Statements for comparative net working capital levels by division.

Growth capital expenditures amounted to $126.3 million in 2004 and $129.8 million in 2003. Details on growth capital expenditures by division are provided in the table above as well as in the reviews of operating results by division.

Growth capital and net working capital requirements were funded mainly from the increase in revolving term bank credits and term loans of $142.9 million in 2004. An additional $8.1 million was raised from the exercise of 0.4 million trust unit warrants. As at December 31, 2004, 3.1 million trust unit warrants remained outstanding, exercisable at $20 per trust unit until May 2008, representing a potential $62.0 million source of future equity capital. In 2003, a total of $603.3 million was financed, comprised of proceeds of $327.9 million from the issue of trust units, $244.0 million from the issue of term loans and revolving term bank credits, and $31.4 million of net proceeds from the sale of accounts receivable. Funds raised were used to repay the $340.0 million ERCO Worldwide acquisition credit facility, fund growth capital expenditures of $129.8 million and the $138.8 million cost to internalize the management agreements.

Debentures outstanding at December 31, 2004 amounted to $116.5 million, a decrease of $118.0 million from the prior year end, due to conversion of Debentures into 6.0 million trust units in response to the 17% increase in the trust unit trading price during 2004. In 2003, $85.2 of million Debentures were converted into 4.8 million trust units.

The weighted average number of trust units outstanding in 2004 increased by 22% to 72.7 million trust units compared to the prior year. The increase resulted from Debenture conversions in 2003 and 2004, the full year impact of trust unit financings completed in 2003, and the exercise of trust unit warrants in 2004.

Contractual Obligations and Other Commitments

			Payments Due In			
(millions of dollars)	Notes[1]	Total	2005	2006-2007	2008-2009	Thereafter
Revolving term bank credits and term loans	8	446.2	–	246.9	7.4	191.9
Convertible Debentures	9	116.5	–	13.9	102.6	–
Operating leases[2]	14[i]	63.0	19.2	24.2	13.9	5.7
Natural gas, propane & electricity purchase commitments	14[ii] [iii]	875.6	332.0	249.2	170.2	124.2
Future employee benefits	10	23.1	4.5	9.0	9.0	0.6
Total contractual obligations		1,524.4	355.7	543.2	303.1	322.4

(1) Notes to the Consolidated Financial Statements.

(2) Operating lease commitments together with the accounts receivable sales program described below, comprise Superior's off-balance sheet obligations.

Revolving term bank credits and term loans include fixed rate borrowings of $92.0 million bearing an average interest rate of 6.7%, floating US dollar interest rate borrowings of US $68.3 million, and floating Canadian dollar interest rate borrowings of $371.8 million (including accounts receivable sale program – See "Liquidity" section). At December 31, 2004, revolving term bank credits and term loans included borrowings of US $144.7 million (2003 – $115.5 million) and are secured by a general charge over the assets of Superior. Debt covenants limit the incurrence of additional long-term debt and payments of distributions to the Fund if Superior's senior debt (including proceeds raised from the accounts receivable sales program) exceeds three times EBITDA (as previously defined) for the last 12 month period as adjusted for the pro forma impact of acquisitions. At December 31, 2004, this ratio was 2.2 to 1.0 (December 31, 2003 – 2.0 to 1.0).

Debentures are obligations of the Fund and consist of $13.9 million Series 1 Debentures maturing July 31, 2007 and $102.6 million Series 2 Debentures due November 1, 2008. The Series 1 and Series 2 Debentures bear interest at 8% and are convertible at the option of the holder into trust units at $16.00 and $20.00 per trust unit, respectively. Superior has swapped $100 million principal amount of the fixed interest Debenture obligation into a floating interest rate obligation. The Fund may elect to satisfy interest and principal Debenture obligations by the issuance of trust units. Including the Fund's Debentures, Superior's total leverage ratio improved from 3.1 times at December 31, 2003 to 2.7 times at December 31, 2004, due to the conversion of $118.0 million of Debentures into trust unit equity during 2004.

At December 31, 2004, 34% of Superior's revolving term bank credits and term loans and Debenture obligations were not repayable for at least five years.

Operating leases consist of rail cars, premises and other equipment. Rail car leases comprise 41% of total operating lease commitments and are used to transport ERCO Worldwide's finished product to its customer locations and by Superior Propane to transport propane from supply sources to its branch distribution locations.

Natural gas and propane fixed-price supply commitments are used to resource similar volume and term fixed-price sales commitments to customers of SEM and Superior Propane, thereby creating a fixed sales gross margin. ERCO Worldwide has entered into fixed-price electricity contracts for a term of up to 12 years for approximately 19% of its annual power requirements.

Superior Propane's pension plans have an unrecorded accrued net benefit asset of $27.6 million and is not included with Future employee benefit obligations shown above. See Note 10 to the Consolidated Financial Statements.

Foreign Currency Hedging

SEM contracts for a portion of its fixed-price natural gas purchases in US dollars and enters into forward US dollar purchase contracts to create an effective Canadian dollar fixed-price purchase cost. ERCO Worldwide enters into US dollar forward sales contracts on an ongoing basis to mitigate the impact of foreign exchange fluctuations on sales margins on production from its Canadian plants that is sold in US dollars. Interest expense on Superior's US dollar denominated debt is also used to mitigate the

impact of foreign exchange fluctuations on distributable cash flow. Superior's US dollar denominated debt acts as a balance sheet hedge of its US dollar denominated net assets. Superior hedges its estimated net US dollar future cash flow requirements with external third party contracts after first matching SEM's forward US dollar purchase requirements internally against ERCO Worldwide's US dollar revenue where possible.

As at December 31, 2004, SEM had hedged approximately 100% of its US dollar natural gas purchase obligations and ERCO Worldwide had hedged 72%, 66%, 28% and 11% of its estimated US dollar revenue stream for 2005, 2006, 2007 and 2008, respectively, as shown in the chart below (See Note 14(iv) to the Consolidated Financial Statements):

(US millions of dollars)	2005	2006	2007	2008	2009	Total
SEM – US$ forward purchases	118.6	93.6	55.9	47.0	39.4	354.5
ERCO – US$ forward sales	(86.6)	(79.1)	(33.0)	(12.6)	–	(211.3)
Net US$ forward purchases	32.0	14.5	22.9	34.4	39.4	143.2
SEM – Average US$ forward purchase rate	1.31	1.30	1.27	1.28	1.28	1.29
ERCO – Average US$ forward sales rate	1.39	1.31	1.25	1.23	–	1.33
Net average external US$/Cdn$ exchange rate	1.34	1.30	1.26	1.27	1.28	1.31

Liquidity

(millions of dollars)	Total Amount	Amount Outstanding as at December 31, 2004	Amount Available as at December 31, 2004
Revolving term bank credit facilities	355.0	246.9	98.3
Accounts Receivable Sales Program	100.0	100.0	–

Superior has revolving, three year term, bank credit facilities with eight banks aggregating $355.0 million, an increase of 45% over prior year end levels. The credit facilities are renewable annually. The amount available is reduced by outstanding letters of credit. Principal covenants are described above in "Contractual Obligations and Other Commitments".

Superior has entered into an agreement to sell, with limited recourse, certain accounts receivables on a 30-day revolving basis to an entity sponsored by a Canadian Chartered Bank to finance a portion of its working capital requirements and represents an off-balance sheet obligation. The receivables are sold at a discount to face value based on prevailing money market rates. As at December 31, 2004, proceeds of $100.0 million (2003 – $100.0 million) had been raised from this program and were used to repay revolving term bank credits. See Note 5 to the Consolidated Financial Statements. Superior is able to adjust the size of the sales program on a seasonal basis in order to match the fluctuations of its accounts receivable funding requirements. The program requires Superior to maintain a minimum unsecured credit rating of BB+ and meet certain collection performance standards. Superior is currently fully compliant with program requirements.

Superior's secured long-term debt credit ratings are BBB(low) by the Dominion Bond Rating Service with a stable outlook and BBB- by Standard & Poor's (BB+ unsecured). On December 16, 2004, S&P changed the outlook on Superior's rating from stable to negative citing a weakened industry credit profile and narrow business focus associated with ERCO Worldwide's pulp chemicals business. The change in Standard & Poor's outlook has had no immediate impact on Superior's ability to borrow or its cost of borrowing.

Unitholders' Capital

As at December 31, 2004 and 2003, the following trust units, and securities convertible into trust units, were outstanding:

(millions)	December 31, 2004 Convertible Securities	December 31, 2004 Trust Units	December 31, 2003 Convertible Securities	December 31, 2003 Trust Units
Series 1, 8% Debentures (convertible at $16 per trust unit)	$ 13.9	0.9	$ 25.6	1.6
Series 2, 8% Debentures (convertible at $20 per trust unit)	$ 102.6	5.1	$ 208.9	10.4
Warrants (exercisable @ $20 per trust unit)	3.1	3.1	3.5	3.5
Trust units outstanding		75.9		69.4
Trust units outstanding, and issuable upon conversion of Debenture and Warrant securities		85.0		84.9

In addition, as at December 31, 2004, there were 960,000 trust unit options outstanding (December 31, 2003 – 1,060,000 trust unit options) with a weighted average exercise price of $20.71 per trust unit. The number of trust units issued upon exercise of the trust unit options is equal to the growth in the value of the options at the time the options are exercised, (represented by the market price less the exercise price) times the number of options exercised, divided by the current market price of the trust units.

Outlook

In 2005, we anticipate distributable cash flow per trust unit to be comparable to 2004. Increased distributable cash flow is expected from a full year's contribution from the acquisition of Winroc, offset by the dilutive impact of continued Debenture conversions and Warrant exercises into trust units.

Over the longer term, the Fund plans to continue its disciplined diversification strategy by taking advantage of profitable growth opportunities within each division and to acquire other businesses that have risk profiles appropriate for an income fund structure. Acquisitions must be accretive to Unitholder distributions and be financed in a manner that maintains Superior's existing financial strength.

Sensitivity Analysis

The Fund's estimated cash flow sensitivity in 2005 to the following changes are provided in the following chart:

	Change	Change	Impact on Distributable Cash Flow	Per Trust Unit
Superior Propane				
Change in sales margin	$0.005/litre	3%	$7.7 million	$ 0.10
Change in sales volume	50 million litres	3%	$6.5 million	$ 0.08
ERCO Worldwide				
Change in sales price	$10.00/tonne	2%	$6.5 million	$ 0.08
Change in sales volume	10,000 metric tonnes	2%	$3.5 million	$ 0.05
Winroc				
Change in sales margin	1% change in average gross margin	4%	$2.9 million	$ 0.04
Change in sales volume	4% of sales revenues	4%	$1.7 million	$ 0.02
Superior Energy Management				
Change in sales margin	$0.02/GJ	5%	$0.6 million	$ 0.01
Change in sales volume	1 million GJ	5%	$0.5 million	$ 0.01
Corporate				
Change in Cdn$/US$ exchange rate[1]	$ 0.01	1%	$0.4 million	$ 0.01
Corporate change in interest rates	0.5%	15%	$2.8 million	$ 0.04

(1) After giving effect to US$ forward sales contracts. See "Foreign Currency Hedging".

Business Risks – Corporate

Interest Rates. Superior maintains a substantial floating interest rate exposure through a combination of floating interest rate borrowings and the use of derivative instruments (See Notes 8 and 9 to the Consolidated Financial Statements). Demand levels for approximately 50% of Superior Propane's sales and substantially all of ERCO Worldwide's and Winroc's sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase as does sales demand from Superior's customers, thereby increasing Superior's ability to pay higher interest costs and vice versa. In this way, a common relationship between economic activity levels, interest rates and Superior's ability to pay higher or lower rates are generally aligned, providing Superior with a natural business hedge against interest rates.

Foreign Exchange Risk. A portion of Superior's net cash flows are denominated in US dollars. Accordingly, fluctuations in the Canadian/United States dollar exchange rate can impact profitability. Superior mitigates this risk by hedging. See "Sensitivity Analysis" on the previous page.

Critical Accounting Estimates. Application of accounting estimates requires certain assumptions to be made regarding future events. These estimates require experience and judgement and are subject to inherent risk of inaccuracy, particularly where they relate to events expected to take place well into the future. Long-term estimates are examined on a regular basis and adjusted prospectively when necessary.

New Accounting Policies. Effective January 1, 2004, the Fund adopted Accounting Guideline 13 ("AcG-13") as recommended by the Canadian Institute of Chartered Accountants ("CICA") on a prospective basis. Under this policy the Fund formally documents relationships between hedging instruments, hedged items, its risk management objective and risk management strategy. This documentation links all derivatives to specific assets, liabilities, firm commitments or forecasted transactions. The Fund formally assesses the effectiveness of derivatives in offsetting changes or cash flows of the hedged items at inception and on an ongoing basis.

Effective January 1, 2004, the Fund adopted the new recommendations of the CICA regarding asset retirement obligations and the impairment of long lived assets. The Fund's total estimated asset retirement obligations are discounted to estimate the fair value of the obligation and are recorded as a liability when the related assets are constructed and commissioned. The fair value increases the value of property, plant and equipment and is depleted over the life of the asset. Accretion expense, resulting from the changes in the present value of the liability due to the passage of time are recorded as part of interest and financing cost. The Fund recognizes an impairment loss on a long lived asset when its carrying value exceeds the sum of the estimated undiscounted cash flows except from its eventual disposition.

Effective July 1, 2004, the Fund adopted the new recommendations of the CICA regarding purchase rebates. Under this policy, purchase rebates are recognized as a reduction of cost of product sold when the related performance is completed and the inventory is sold.

Effective December 31, 2004, the Fund adopted the new recommendations of the CICA regarding variable interest entities. This policy provides additional guidance with respect to the requirements to consolidate entities on a basis other than ownership or voting interests.

In July 2004, the CICA proposed to amend Handbook Section 3500 "Earnings per Share", to reflect similar amendments adopted by the International Accounting Standards Board and proposed by the US Financial Accounting Standards Board. The majority of the amendments relate to the treatment of manditorily convertible instruments. The CICA expects changes to be effective for interim and annual periods relating to fiscal years beginning on or after January 1, 2005. We currently do not have any manditorily convertible instruments and therefore do not expect these amendments to have a material impact on the Fund.

The Accounting Standards Board ("AcSB") has issued three exposure drafts on financial instruments which will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2006. It will require the following:

- all trading financial instruments will be recognized on the balance sheet and will be fair valued through the income statement;
- all remaining financial assets will be recorded at cost and amortized through the financial statements;
- a new statement for comprehensive income that will include certain gains and losses on translation of assets and liabilities; and
- an update to AcG-13 to incorporate the fair value changes not recorded in the income statement to be recorded through the comprehensive income statement.

The Fund has not assessed the future impact of these proposals on the financial statements.

The AcSB has proposed a new Handbook section 1506 "changes in accounting policies and estimates, and errors" to provide guidance around when and how an entity is permitted to change an accounting policy as well as establish appropriate disclosures to explain the effects of changes in accounting policy, estimates and corrections of errors.

The AcSB has proposed to extend the period during which subsequent events are required to be considered. This period is between the balance sheet date and when the financial statements are authorized for issue. Furthermore, disclosure is required as to the date the financial statements were authorized for issue and who provided that authorization.

Selected Financial Information

Years Ended December 31 (millions of dollars except per trust unit amounts)	2004	2003[1]	2002
Total assets (as at December 31)	1,549.0	1,443.7	1,404.5
Total revenues	1,552.8	1,234.3	640.9
Gross profits	542.8	471.7	295.8
Net earnings (loss)	111.2	(19.6)	60.6
Per trust unit basic	$ 1.53	$ (0.33)	$ 1.29
Per trust unit diluted	$ 1.51	$ (0.33)	$ 1.29
Cash generated from operations before changes in working capital	195.7	14.0	93.7
Distributable cash flow	182.5	145.4	90.6
Per trust unit	$ 2.51	$ 2.45	$ 1.93
Cash distributions per trust unit[2]	$ 2.465	$ 2.28	$ 1.99
Current and long-term debt (as at December 31)	446.2	317.8	443.4

(1) 2003 results include a one time expense of $141.3 million ($92.5 million after tax) related to the internalization of management. See Note 15(i) to the Consolidated Financial Statements.

(2) Cash distributions per trust unit paid in fiscal year.

Forward-Looking Statements

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding the future financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes and plans and objectives of or involving the Fund or Superior. Many of these statements can be identified by looking for words such as "believe," "expects," "expected," "will," "intends," "projects," "anticipates," "estimates," "continues" or similar words. The Fund and Superior believe the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Fund's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Any forward-looking statements are made as of the date hereof and neither the Fund nor Superior undertakes any obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise.

Additional information relating to the Fund and Superior, including the 2004 Annual Information Forms are available free of charge on our website at www.superiorplus.com and on the Canadian Securities Administrators' website at www.sedar.com.

Management's Report

Management's Responsibility for Financial Reporting
The financial statements of the Superior Plus Income Fund (the "Fund") and all of the information in this annual report are the responsibility of the management of Superior Plus Inc., the Fund's wholly-owned subsidiary and operating entity.

The Consolidated Financial Statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain estimates that are based on management's best judgements. Actual results may differ from these estimates and judgements. Management has ensured that the Consolidated Financial Statements are presented fairly in all material respects.

Management has developed and maintains a system of internal controls to provide reasonable assurance that the Fund's assets are safeguarded, transactions are accurately recorded, and the financial statements realistically report the Fund's operating and financial results in a timely manner. Financial information presented elsewhere in this annual report has been prepared on a consistent basis with that in the Consolidated Financial Statements.

The Board of Directors of Superior Plus Inc. is responsible for reviewing and approving the financial statements and primarily through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting. The Audit Committee meets with management and its external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The Committee reports its findings to the Board for the Board's consideration in approving the financial statements for issuance to the Unitholders. The Committee also considers, for review by the Board and approval by the Unitholders, the engagement or re-appointment of the external auditors.

Deloitte & Touche LLP, an independent firm of chartered accountants, was appointed by a vote of Unitholders at the Fund's last annual meeting to audit the Fund's Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. They have provided an independent professional opinion. Deloitte & Touche LLP has full and free access to the Audit Committee.

GMackey

Geoffrey N. Mackey
President & Chief Executive Officer
Superior Plus Inc.

Mark Schweitzer

W. Mark Schweitzer
Executive Vice-President, Corporate
Development & Chief Financial Officer
Superior Plus Inc.

Calgary, Alberta
February 18, 2005

Auditors' Report

To the Unitholders of Superior Plus Income Fund:
We have audited the consolidated balance sheets of Superior Plus Income Fund as at December 31, 2004 and 2003 and the consolidated statements of net earnings (loss) and deficit and cash flows for the years then ended. These financial statements are the responsibility of the management of the Fund. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Calgary, Alberta
February 18, 2005

Deloitte & Touche LLP
Chartered Accountants

Consolidated Balance Sheets

As at December 31 (millions of dollars)	2004	2003
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 5)	165.0	96.8
Inventories (Note 6)	93.6	57.7
	258.6	154.5
Property, plant and equipment (Note 7)	741.0	781.7
Intangible assets (Note 7)	46.8	59.8
Goodwill (Note 7)	502.6	447.7
	1,549.0	1,443.7
LIABILITIES AND UNITHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	160.7	117.6
Distributions and interest payable to Unitholders and Debentureholders	17.0	15.8
	177.7	133.4
Revolving term bank credits and term loans (Note 8)	446.2	317.8
Convertible unsecured subordinate debentures (Note 9)	116.0	233.0
Future employee benefits (Note 10)	18.6	23.4
Future income tax liability (Note 11)	120.6	125.2
TOTAL LIABILITIES	879.1	832.8
UNITHOLDERS' EQUITY		
Unitholders' capital (Note 12)	1,122.0	993.7
Retained earnings from operations	260.3	149.1
Accumulated distributions on trust unit equity	(711.1)	(532.0)
Deficit	(450.8)	(382.9)
Currency translation account	(1.3)	0.1
TOTAL UNITHOLDERS' EQUITY	669.9	610.9
	1,549.0	1,443.7

(See Notes to the Consolidated Financial Statements)

Approved by the Board of Directors of Superior Plus Inc.

Director

Director

Consolidated Statements of Net Earnings (Loss) and Deficit

Years Ended December 31 (millions of dollars except per trust amounts)	2004	2003
REVENUES	1,552.8	1,234.3
Cost of products sold	1,010.0	762.6
Gross profit	542.8	471.7
EXPENSES		
Operating and administrative	315.1	278.3
Amortization of property, plant and equipment	78.2	66.6
Amortization of intangible assets	5.5	6.1
Interest on revolving term bank credits and term loans (Note 8)	15.5	14.7
Interest on convertible unsecured subordinated debentures	13.6	22.7
Amortization of convertible debenture issue costs	1.6	2.0
Management internalization costs (Note 15(i))	2.6	141.3
Income tax recovery of Superior (Note 11)	(0.5)	(40.4)
	431.6	491.3
NET EARNINGS (LOSS)	111.2	(19.6)
DEFICIT, BEGINNING OF YEAR	(382.9)	(229.9)
Net earnings (loss)	111.2	(19.6)
Distributions to Unitholders (Note 12)	(179.1)	(133.4)
DEFICIT, END OF YEAR	(450.8)	(382.9)
Net earnings (loss) per trust unit, basic (Note 12)	$ 1.53	$ (0.33)
Net earnings (loss) per trust unit, diluted (Note 12)	$ 1.51	$ (0.33)

(See Notes to the Consolidated Financial Statements)

Consolidated Statements of Cash Flows

Years Ended December 31 (millions of dollars)	2004	2003
OPERATING ACTIVITIES		
Net earnings (loss)	111.2	(19.6)
Items not affecting cash:		
Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	85.3	74.7
Trust unit incentive plan compensation expense (Note 13)	3.2	2.5
Future income tax recovery (Note 11)	(4.0)	(43.6)
Cash generated from operations before changes in working capital	195.7	14.0
Increase in non-cash operating working capital items	(28.1)	(4.2)
Cash flows from operating activities	167.6	9.8
INVESTING ACTIVITIES		
Maintenance capital expenditures, net	(15.8)	(9.9)
Acquisitions (Note 4)	(120.1)	(122.8)
Other capital expenditures, net	(6.2)	(7.0)
Cash flows from investing activities	(142.1)	(139.7)
FINANCING ACTIVITIES		
Proceeds from exercise of trust unit warrants (Note 12)	8.1	–
Revolving term bank credits and term loans	142.9	244.0
Net proceeds from sale of accounts receivable	–	31.4
Issue of trust units and warrants in consideration of management internalization (Note 15(i))	2.6	138.8
Issue of 4.5 million trust units to refinance ERCO Worldwide acquisition	–	88.9
Repayment of ERCO Worldwide acquisition credit facility	–	(340.0)
Issue of 4.9 million trust units to finance Albchem acquisition	–	100.2
Distributions to Unitholders	(179.1)	(133.4)
Cash flows from financing activities	(25.5)	129.9
CHANGE IN CASH	–	–
CASH BEGINNING AND END OF YEAR	–	–

(See Notes to the Consolidated Financial Statements)

Notes to Consolidated Financial Statements

(tabular amounts in Canadian millions of dollars unless noted otherwise, except per trust unit amounts)

1. Distributable Cash Flows

Years Ended December 31 (millions of dollars)	2004	2003
Cash generated from operations before changes in working capital	195.7	14.0
Plus: Management internalization costs (Note 15(i))	2.6	141.3
Less: Maintenance capital expenditures, net	(15.8)	(9.9)
DISTRIBUTABLE CASH FLOW	182.5	145.4
Distributable cash flow per trust unit, basic (Note 12)	$ 2.51	$ 2.45
Distributable cash flow per trust unit, diluted (Note 12)	$ 2.37	$ 2.22

Distributable cash flow of the Superior Plus Income Fund (the "Fund") available for distribution to its unitholders ("Unitholders"), is equal to consolidated cash flow from operations before changes in working capital, after provision for maintenance capital expenditures. Maintenance capital expenditures are equal to capital expenditures incurred to sustain the ongoing operating capacity of Superior Plus Inc. ("Superior") and are deducted from the calculation of distributable cash flow. Acquisitions and other capital expenditures are incurred to expand the capacity of Superior's operations or to increase its profitability and are not deducted from the calculation of distributable cash flow. Distributable cash flow is the main performance measure used by management and investors to evaluate Fund and business segment performance. Readers are cautioned that distributable cash flow is not a defined performance measure under Canadian generally accepted accounting principles ("GAAP"), and that distributable cash flow cannot be assured. The Fund targets to pay out substantially all of its ongoing sustainable distributable cash flow through regular monthly distributions. The Fund's calculation of distributable cash flow may differ from similar calculations used by comparable entities.

2. Organization

The Fund is a limited purpose, unincorporated trust governed by the laws of the Province of Alberta. The Fund holds all of the outstanding securities of Superior. The Fund's investments in Superior are comprised of Class A and B Common Shares (the "Common Shares") and $1,061.1 million unsecured subordinated notes, due October 1, 2026, bearing interest at a weighted average rate of 13.29% (the "Shareholder Notes"). Cash is received monthly by the Fund from Superior in the form of interest income earned on the Shareholder Notes, and dividends or returns of capital received on the Common Share investment in Superior. The Fund's investments in Superior are financed by trust unit equity and convertible unsecured subordinated debentures (the "Debentures"). (See Notes 9 and 12).

3. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared according to GAAP applied on a consistent basis and include the accounts of the Fund, its wholly owned subsidiary, Superior and Superior's subsidiaries. The accounting principles applied are consistent with those as set out in the Fund's annual financial statements for the year ended December 31, 2003, except as noted below. The adoption of these new accounting standards has had no impact on the financial statements of the Fund for the year ended December 31, 2004. All significant transactions and balances (including the Shareholder Notes) between the Fund, Superior and Superior's subsidiaries have been eliminated on consolidation.

Effective January 1, 2004, the Fund adopted Accounting Guideline 13 ("AcG-13") as recommended by the Canadian Institute of Chartered Accountants ("CICA") on a prospective basis. Under this policy the Fund formally documents relationships between hedging instruments, hedged items, its risk management objective and risk management strategy. This documentation links all derivatives to specific assets, liabilities, firm commitments or forecasted transactions. The Fund formally assesses the effectiveness of derivatives in offsetting changes or cash flows of the hedged items at inception and on an ongoing basis.

Effective January 1, 2004, the Fund adopted the new recommendations of the CICA regarding asset retirement obligations and the impairment of long lived assets. The Fund's total estimated asset retirement obligations are discounted to estimate the fair value of the obligation and are recorded as a liability when the related assets are constructed and commissioned. The fair value increases the value of property, plant and equipment and is depleted over the life of the asset. Accretion expense, resulting from the changes in the present value of the liability due to the passage of time are recorded as part of interest and financing cost. The Fund recognizes an impairment loss on a long lived asset when its carrying value exceeds the sum of the estimated undiscounted cash flows except from its eventual disposition.

Effective July 1, 2004, the Fund adopted the new recommendations of the CICA regarding purchase rebates. Under this policy, purchase rebates are recognized as a reduction of cost of product sold when the related performance is completed and the inventory is sold.

Effective December 31, 2004, the Fund adopted the new recommendations of the CICA regarding variable interest entities. This policy provides additional guidance with respect to the requirements to consolidate entities on a basis other than ownership or voting interests.

(b) Business Segments

Superior operates four distinct business segments; the delivery of propane and propane related services and accessories operating under the Superior Propane trade name; the manufacture and sale of chemicals and related products and services for the pulp and paper and water treatment industries operating under the ERCO Worldwide trade name; the distribution of walls and ceilings construction products operating under the Winroc trade name; and the sale of natural gas under fixed price term contracts operating under the Superior Energy Management trade name ("SEM"). (See Note 16).

(c) Accounts Receivable Sales Program

Superior has a revolving trade accounts receivable sales program under which all transactions are accounted for as sales. Losses on sales depend in part on the previous carrying amount of trade accounts receivable involved in the sales. The carrying amount is allocated between the assets sold and retained interests based on their relative fair value at the date of the sale which is calculated by discounting expected cash flows at prevailing money market rates.

(d) Inventories

Superior Propane

Propane inventories are valued at the lower of weighted average cost and market determined on the basis of estimated net realizable value. Appliances, materials, supplies and other inventories are stated at the lower of cost and market determined on the basis of estimated replacement cost or net realizable value, as appropriate. Superior has an inventory of appliances rented to customers under rental contracts. The book value of this inventory is carried in the inventory accounts at cost less accumulated amortization. Amortization is provided on a straight-line basis, generally over a period of five years.

ERCO Worldwide

Inventories are recorded at the lesser of cost and net realizable value, the cost of pulp chemical inventories are determined on a first-in, first-out basis. Stores and supply inventories are costed on an average basis. Transactions are entered into from time to time with other companies to exchange chemical inventories in order to minimize working capital requirements and to facilitate distribution logistics. Balances related to quantities due to or payable by Superior are included in inventory.

Winroc

Inventories of building products are valued at the lower of cost and net realizable value. Cost is calculated on an average cost basis.

(e) Financial Instruments

The net carrying value of accounts receivable, including the allowance for doubtful accounts, approximates fair value due to the short-term nature of these instruments. The collection risk associated with accounts receivable that are sold pursuant to Superior's accounts receivable sales program (See Note 5), is provided for as part of Superior's overall allowance for doubtful accounts. Superior has a large number of diverse customers, which minimizes overall accounts receivable credit risk.

The carrying value of accounts payable and accrued liabilities, distributions and interest payable to Unitholders and Debentureholders approximates the fair value of these financial instruments due to the short-term maturity of these instruments. The carrying value of revolving term bank credits approximate their fair values due to the floating interest rate nature and short rollover terms of these debt securities. The carrying value of term loans and Debentures differs from their fair values due to the fixed interest rate nature and long repayment term of these debt securities. (See Note 8 and 9 for detailed descriptions of debt securities and mark-to-market disclosure).

(f) Property, Plant and Equipment

Property, plant, and equipment is recorded at cost less accumulated amortization. Major renewals and improvements, which extend the useful lives of equipment, are capitalized, while repair and maintenance expenses are charged to operations as incurred. Disposals are removed at carrying costs less accumulated amortization with any resulting gain or loss reflected in operations.

Superior Propane and Winroc

Property, plant and equipment assets are amortized over their respective estimated useful lives using the straight line method except for loaned propane dispensers which use the declining balance method at a rate of 10%. The estimated useful lives of major classes of property, plant and equipment are:

Buildings	20 years
Tanks and cylinders	20 years
Truck tank bodies, chassis and other Winroc distribution equipment	7 to 10 years

ERCO Worldwide

Property, plant and equipment assets are amortized on a straight-line basis over estimated useful lives ranging from three to twenty-five years, with the predominant life of plant and equipment being fifteen years.

(g) Intangible Assets

ERCO Worldwide

The estimated fair value of acquired royalty assets is amortized over the remaining term of the royalty agreements up to ten years. The costs of patents are amortized on a straight-line basis over their estimated useful lives, which approximates ten years.

Deferred Finance Charges

Superior defers and amortizes the issue costs incurred in conjunction with its long-term credit facilities to interest expense over the term of the credit facility or debt instrument.

Convertible Debenture Issue Costs

Superior defers and amortizes Debenture issue cost over the term of the Debentures adjusted for conversions.

(h) Goodwill

The excess of the Fund's cost of investment in Superior's Common Shares and Shareholder Notes over the corresponding interest in Superior's current assets and property, plant and equipment less current liabilities, long-term debt and future income taxes on the dates of acquisition, has been attributed to goodwill. Superior's cost of subsequent acquisitions in excess of the fair value of the net assets acquired is also recorded as goodwill. Goodwill is not amortized, but is tested for impairment on an annual basis. The net carrying value of goodwill would be written down if the value were permanently impaired.

(i) Revenue Recognition

Superior Propane

Revenues from sales are generally recognized at the time of delivery, or when related services are performed. Amounts billed to customers for shipping and handling are classified as revenues, with the related shipping and handling costs included in cost of goods sold.

ERCO Worldwide

Revenues from chemical sales are recognized as products are shipped. Revenues associated with the construction of chlorine dioxide generators are recognized using the percentage-of-completion method based on cost incurred compared to total estimated cost.

Winroc

Revenue is recognized when products are delivered to the customer. Revenue is stated net of discounts and rebates granted.

Superior Energy Management

Revenues are recognized as gas is delivered to local natural gas distribution companies. Costs associated with balancing the amount of gas used by SEM's customers with the volumes delivered by SEM to the local distribution companies are recognized as period costs.

(j) Rebates – Winroc

Purchase rebates are recognized as a reduction of cost of goods sold when the related performance is completed and the inventory is sold. Vendor rebates that are contingent upon Winroc completing a specified level of purchases are recognized as a reduction of cost of goods sold based on a systematic and rational allocation of the cash consideration to each of the underlying transactions that results in progress toward earning that rebate or refund, assuming that the rebate can be reasonably estimated and it is probable that the specified target will be obtained. Otherwise, the rebate is recognized as the milestone is achieved and the inventory is sold.

(k) Future Employee Benefits

Superior has a number of defined benefit and defined contribution plans providing pension and other post-employment benefits to most of its employees, and accrues its obligations under the plans and the related costs, net of plan assets. Past service costs and actuarial gains and losses in excess of 10% are amortized into income over the expected average remaining life of the active employees participating in the plans. (See Note 10).

(l) Income Taxes

The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the Unitholders. During 2004 and 2003, the Fund has allocated all of its taxable income to Unitholders, and accordingly, no provision for income taxes has been recorded at the Fund level. Superior is subject to corporate income taxes and follows the liability method of accounting for income taxes (See Note 11).

(m) Foreign Currency Translation

The accounts of the operations of ERCO Worldwide and Winroc in the United States are considered to be self-sustaining foreign operations and are translated using the current rate method, under which all assets and liabilities are translated at the exchange rate prevailing at the balance sheet date, and revenues and expenses at average rates of exchange during the period. Other monetary assets and liabilities held by Superior are converted using the current rate method.

(n) Stock Based Compensation

Superior has a Trust Unit Incentive Plan ("TUIP") as described in Note 13. The TUIP is a Stock Appreciation Right as defined by the CICA. Compensation expense recognized represents the difference between the market price of the trust units and the grant price for the outstanding options multiplied by the number of options, reflecting the vesting features of the plan. Upon exercise, the compensation is settled in trust units of the Fund.

(o) Earnings per Trust Unit

Basic net earnings (loss) per trust unit is calculated by dividing the net earnings (loss) by the weighted average number of trust units outstanding during the period. The weighted average number of trust units outstanding during the year is calculated using the number of trust units outstanding at the end of each month during the year. Diluted earnings per trust unit is calculated by factoring in the dilutive impact of the dilutive instruments, including the exercise of trust unit options, the conversion of Debentures to trust units, and the exercise of warrants. Superior uses the treasury stock method to determine the impact of dilutive instruments, which assumes that the proceeds from in-the-money trust unit options and warrants are used to repurchase trust units at the average market price during the period.

(p) Derivative Financial Instruments

Superior utilizes derivative and other financial instruments to manage its exposure to market risks related to interest rates, foreign currency exchange rates and commodity prices. Gains or losses relating to derivatives that are hedges are deferred and recognized in the same period and in the same financial statement category as the gains and losses on the corresponding hedged transactions.

A derivative must be designated and effective to be accounted for as a hedge. For cash flow hedges, effectiveness is achieved if the changes in the cash flows of the derivatives substantially offset the changes in the cash flows of the hedged position and the timing of cash flows is similar. In the event that a derivative does not meet the designation or effectiveness criterion, the gain or loss on the derivative is recognized in income. If a derivative that qualifies as a hedge is settled early, the gain or loss at settlement is deferred and recognized when the gain or loss on the hedged transaction is recognized. Premiums paid or received with respect to derivatives that are hedges are deferred and amortized to income over the term of the hedge.

Interest Rate Hedging

Superior enters into interest rate swap agreements to alter the interest characteristics of a portion of its outstanding debt from a fixed to floating rate basis or vice versa. The differential between the amounts paid and received is accrued and recognized as an adjustment to interest expense related to the underlying debt.

Foreign Exchange Hedging

Superior enters into foreign exchange contracts to hedge the effect of exchange rate changes on identifiable foreign currency denominated revenues and expenses in order to mitigate the potential negative impact of foreign exchange rate fluctuations. (See Note 14(iv) for foreign currency commitments). Superior carries US dollar denominated debt, which acts as a balance sheet hedge against its US dollar denominated net assets.

Superior also utilizes cross-currency swap agreements which are used to hedge the interest rate risk and foreign currency exposures related to the US dollar denominated debt. Gains or losses on these contracts are accounted for in the same manner as for derivative financial instruments discussed above.

Electrical Hedging

ERCO Worldwide uses fixed cost electrical contracts in electrical markets that are deregulated to help mitigate fluctuations in electricity costs which are the most significant variable productions costs. (See Note 14(iii)).

Commodity Price Hedging

Superior Propane

Superior Propane offers various fixed price propane sales programs to its customers. Customer fixed price volume commitments are resourced with a combination of physical inventory and forward purchase contracts for similar terms, in order to mitigate the potential negative impact of a change in propane commodity pricing.

Superior Energy Management

SEM offers fixed price natural gas contracts to its natural gas customers for terms of up to five years. Fixed price customer volume commitments are resourced with a combination of physical and financial contracts for similar terms, in order to mitigate the potential negative impact of a change in natural gas commodity pricing.

4. Acquisitions

The following acquisitions were completed by Superior during 2004 and 2003:

On June 11, 2004, Superior acquired all of the shares of The Winroc Corporation, Winroc Supplies Ltd. and Allroc Building Products Ltd. (collectively "Winroc"), a distributor of specialty walls and ceiling construction products in North America, for total consideration of $104.2 million.

On December 7, 2004, Winroc acquired the assets of Interior Building Supplies Company Ltd. ("IBS"), for total consideration of $12.2 million.

During 2004, Superior Propane acquired the assets of one propane related business and one fuel oil distribution business, for total consideration of $3.7 million.

On October 1, 2003, ERCO Worldwide, acquired the shares of Albchem, a pulp chemicals business, for total consideration of $122.8 million.

Using the purchase method for acquisitions, Superior consolidated the assets and liabilities from the acquisitions and included earnings as of the closing dates. The consideration paid for these acquisitions has been allocated as follows:

	2004				2003
	Acquisition of Winroc	Winroc's Acquisition of IBS	Superior Propane's Acquisitions	Total	ERCO Worldwide's Acquisition of Albchem
Cash consideration paid	103.2	11.9	3.7	118.8	122.1
Transaction costs	1.0	0.3	–	1.3	0.7
	104.2	12.2	3.7	120.1	122.8
Goodwill	52.5	6.0	1.0	59.5	17.7
Working capital, net	37.1	5.8	1.3	44.2	6.2
Property, plant and equipment	18.2	0.9	1.4	20.5	133.1
Other liabilities	(3.6)	(0.5)	–	(4.1)	(34.2)
	104.2	12.2	3.7	120.1	122.8

5. Accounts Receivable

Superior sells, with limited recourse, certain trade accounts receivable on a revolving basis to an entity sponsored by a Canadian chartered bank, and has accounted for the sales in accordance with the CICA guidelines relating to transfers of receivables. The accounts receivable are sold at a discount to face value based on prevailing money market rates. Superior has retained the servicing responsibility for the accounts receivable sold and has therefore recognized a servicing liability. The level of accounts receivable sold under the program fluctuates seasonally with the level of accounts receivable. At December 31, 2004 proceeds of $100.0 million (2003 – $100.0 million) had been received. The fair value of the retained interest arising from the sale at December 31, 2004 was $13.1 million (2003 – $13.9 million) and was estimated by discounting expected cash flows at prevailing money market rates. Cash flows related to this sales program were as follows:

	2004	2003
Net proceeds, beginning	100.0	68.6
Net proceeds from the initial addition of ERCO Worldwide receivables	–	30.0
Proceeds from collections re-invested in revolving period sales	1,164.2	1,056.8
Remittances of amounts collected on sales	(1,164.2)	(1,055.4)
Net proceeds from accounts receivable sales	100.0	100.0

6. Inventories

	2004	2003
Propane	31.2	26.8
Propane retailing materials, supplies, appliances and other	15.0	12.9
Pulp chemical finished goods and raw materials	7.7	8.9
Pulp chemical stores, supplies and other	8.7	9.1
Walls and ceilings construction products	31.0	–
	93.6	57.7

7. Property, Plant and Equipment, Intangible Assets and Goodwill

	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	26.3	–	26.3	27.1	–	27.1
Buildings	105.8	20.6	85.2	99.8	13.3	86.5
ERCO Worldwide plant and equipment	600.8	87.6	513.2	595.3	41.3	554.0
Superior Propane retailing equipment	392.9	290.1	102.8	399.4	285.3	114.1
Winroc distribution equipment	15.7	2.2	13.5	–	–	–
Property, plant and equipment	1,141.5	400.5	741.0	1,121.6	339.9	781.7
ERCO Worldwide intangible assets	50.6	10.3	40.3	54.5	5.6	48.9
Deferred finance charges	11.3	4.8	6.5	16.8	5.9	10.9
Intangible assets	61.9	15.1	46.8	71.3	11.5	59.8
Goodwill	594.7	92.1	502.6	539.8	92.1	447.7
Total property, plant and equipment, Intangible assets and Goodwill	1,798.1	507.7	1,290.4	1,732.7	443.5	1,289.2

8. Revolving Term Bank Credits and Term Loans

	Maturity Dates	Effective Interest Rates[3]	2004	2003
Revolving term bank credits[1]				
LIBOR loans (US $58.3 million)	2007	Floating LIBOR rate plus applicable credit spread	70.1	65.3
Bankers acceptances	2007	Floating BA rate plus applicable credit spread	176.8	45.7
			246.9	111.0
Other Debt				
Notes payable	2009	Prime	5.0	–
Mortgage (US $1.4 million)	2011	7.53%	1.7	–
			6.7	–
Term Loans[2]				
Term loans subject to floating interest rates (US $85.0 million)	2015	Floating BA rate plus 1.7%	102.3	109.9
Term loans subject to fixed interest rates (US $75.0 million)	2013, 2015	6.65%	90.3	96.9
			192.6	206.8
			446.2	317.8

(1) During 2004, Superior and its wholly owned subsidiary, Superior Plus US Holdings Inc., renewed and expanded their secured revolving term bank credit facilities. Superior has revolving term credit capacity of $355.0 million, an increase of $110.0 million from December 31, 2003 levels. These facilities are secured by a general charge over the assets of Superior.

(2) On October 29, 2003, Superior issued Senior Secured Notes (the "Notes") totaling US $160.0 million (Cdn. $192.6 million at December 31, 2004), secured by a general charge over the assets of Superior. Proceeds were used to complete the repayment of the ERCO Worldwide acquisition credit facility. Principal repayments begin in 2009. The fair value of the Notes at December 31, 2004 was Cdn. $192.4 million. In conjunction with the issue of the Notes, Superior swapped US $85.0 million (Cdn. $102.3 million at December 31, 2004) of the fixed rate obligation into a US dollar floating rate obligation, of which $75.0 million has been swapped into a Canadian dollar floating rate obligation. The estimated fair value of the US $85.0 million interest rate swap at December 31, 2004 was a gain of Cdn. $2.4 million (2003 – Cdn. $1.3 million gain).

(3) The fixed interest rate obligation on $100 million of the Fund's Debentures (see Note 9) was swapped into a floating rate obligation. The estimated fair value of this swap agreement at December 31, 2004 was a gain of $5.8 million (2003 – $5.9 million gain).

Repayment requirements of the revolving term bank credits and term loans are as follows:

Current portion	–
Due in 2006	–
Due in 2007	246.9
Due in 2008	–
Due in 2009	7.4
Subsequent to 2009	191.9
Total	446.2

Interest paid on revolving term bank credits and term loans during 2004 amounted to $15.5 million (2003 – $14.7 million) comprised of $22.3 million (2003 – $17.5 million) related to debt, net of payments received of $6.8 million (2003 – $2.8 million) under interest rate swap agreements.

9. Convertible Unsecured Subordinated Debentures

The Fund has issued two series of Debentures denoted as Series 1 and Series 2 as follows:

	Series 1	Series 2	Unamortized Discount	Total Carrying Value
Maturity date	July 31, 2007	November 1, 2008		
Fixed distribution rate	8.0%	8.0%		
Conversion price per trust unit	$ 16.00	$ 20.00		
Debentures outstanding December 31, 2002	69.7	250.0	(1.9)	317.8
Conversion of Debentures and amortization of discount	(44.1)	(41.1)	0.4	(84.8)
Debentures outstanding December 31, 2003	25.6	208.9	(1.5)	233.0
Conversion of Debentures and amortization of discount	(11.7)	(106.3)	1.0	(117.0)
Debentures outstanding December 31, 2004	13.9	102.6	(0.5)	116.0
Quoted market value December 31, 2004	26.0	152.7		

The Debentures may be converted into trust units at the option of the holder at any time prior to maturity and may be redeemed by the Fund in certain circumstances. The Fund may elect to pay interest and principal upon maturity or redemption by issuing trust units to a trustee in the case of interest payments, and to the Debentureholders in the case of payment of principal. The number of any trust units issued will be determined based on market prices for the trust units at the time of issuance.

10. Future Employee Benefits

Superior has defined benefit ("DB") and defined contribution ("DC") pension plans covering most employees. The benefits provided under the DB pension plan are based on the employees' years of service and on the highest average earnings for a specified number of consecutive years. Information about Superior's DB and other post-retirement benefit plans as at December 31, 2004 and 2003 in aggregate, is as follows:

	Superior Propane Pension Benefit Plans[1]		ERCO Worldwide Pension Benefit Plans		Total Other Benefit Plans	
	2004	2003	2004	2003	2004	2003
Accrued benefit obligation, beginning of year	53.3	51.3	44.8	38.9	18.9	17.9
Current service cost	0.3	0.5	2.1	1.9	0.2	0.2
Past service cost	–	–	–	1.3	–	–
Interest cost	3.2	3.2	3.0	2.6	1.0	1.2
Benefits paid	(3.9)	(5.5)	(0.8)	(0.8)	(1.1)	(1.0)
Actuarial loss (gain)	–	3.8	1.1	0.9	(1.7)	0.6
Accrued benefit obligation, end of year	52.9	53.3	50.2	44.8	17.3	18.9
Fair value of plan assets, beginning of year	65.5	67.8	30.2	24.8	–	–
Actual return on plan assets	5.3	5.5	2.6	3.0	–	–
Transfers to defined contribution plan	(2.6)	(2.4)	–	–	–	–
Employer contributions	–	–	7.7	3.2	1.1	0.9
Benefits paid	(3.9)	(5.4)	(0.8)	(0.8)	(1.1)	(0.9)
Fair value of plan assets, end of year	64.3	65.5	39.7	30.2	–	–
Funded status – plan surplus (deficit)	11.4	12.2	(10.5)	(14.6)	(17.3)	(18.9)
Unamortized net actuarial loss (gain)	16.9	19.0	0.7	(0.3)	2.8	4.8
Unamoritzed past service costs	–	–	1.2	1.3	–	–
Unamortized transitional asset	(0.7)	(1.0)	–	–	–	–
Accrued net benefit asset[1]	27.6	30.2				
Accrued net benefit obligation			(8.6)	(13.6)	(14.5)	(14.1)
Current portion of accrued net benefit obligation recorded in accounts payable and accrued liabilities			(3.4)	(3.3)	(1.1)	(1.0)
Long-term accrued net benefit obligation (2004 – $18.6 million; 2003 – $23.4 million)			(5.2)	(10.3)	(13.4)	(13.1)

(1) None of which is recorded on the balance sheet or income statement.

The accrued net benefit obligation related to the ERCO Worldwide pension benefit plan in 2004 was $8.6 million (2003 – $13.6 million) and an expense of $2.7 million (2003 – $2.8 million) which have been recorded in the Consolidated Financial Statements.

The accrued net benefit obligation related to the total other benefit plans of Superior Propane and ERCO Worldwide in 2004 was $14.5 million (2003 – $14.1 million) and an expense of $1.4 million (2003 – $1.5 million) which have been recorded in the Consolidated Financial Statements.

Superior's DC pension plans are fully funded by their nature. Accordingly, DC pension plan assets equal the related obligation. The total cost of Superior Propane's DC plan in 2004 was $2.6 million (2003 – $2.4 million) and was fully funded and offset by the return earned on the unrecognized DB plan's net benefit asset. Superior Propane expects to continue to fund its required annual obligation under the DC pension plan over the medium term from returns earned on the DB plan's net benefit asset.

The significant actuarial assumptions adopted in measuring accrued benefit obligations are as follows:

	DB Plans		Other Benefit Plans	
	2004	2003	2004	2003
Discount rate	6.00%	6.25%	6.00%	6.25%
Expected long-term rate-of-return on plan assets[1]	7.00%	7.00%	–	–
Rate of compensation increase	4.00%	4.25%	4.00%	4.25%

(1) Based on market related values.

The weighted average annual assumed health care cost inflation trend used in the calculation of accrued Other Benefit Plan Obligations is 10.0% initially, decreasing gradually to 5.0% in 2009 and thereafter. A 1% change in the health care trend rate would result in a change to the accrued benefit obligation of $1.7 million (2003 – $1.7 million) and a change to the current service expense of $0.2 million (2003 – $0.1 million).

The most recent funding valuation dates for Superior's DB plans was January 1, 2004. The next funding valuation dates are scheduled between January 1, 2005 and January 1, 2007.

The fair value of DB plan assets at December 31, 2004 are comprised of the following major investment categories: Cash and cash equivalents 2% (2003 – 4%); Bonds 41% (2003 – 42%); Equities 57% (2003 – 54%). None of the plans hold investments in the Fund.

11. Income Taxes of Superior

The Fund is a unit trust for income tax purposes and is only taxable on any taxable income not allocated to the Unitholders. During 2004 and 2003, the Fund has allocated all of its taxable income to the Unitholders and accordingly no provision for income taxes was recorded at the Fund level. A provision for income taxes was recognized for the Fund's subsidiaries that are subject to tax, including large corporation tax and provincial capital taxes.

Total income taxes are different than the amount computed by applying the Canadian enacted statutory rate for 2004 of 33.9% (2003 – 36.5%). The reduction in statutory rates reflects previously enacted Federal and Alberta tax rate reductions. The reasons for these differences are as follows:

	2004	2003
Net earnings (loss)	111.2	(19.6)
Add back:		
Income of the Fund taxed directly in the hands of the Unitholders	(121.9)	(89.1)
Income tax recovery of Superior	(0.5)	(40.4)
Loss of the Fund before taxes and after distribution of income to Unitholders	(11.2)	(149.1)
Computed income tax recovery	(3.8)	(54.4)
Changes in future federal and provincial income tax rates	(0.4)	10.7
Federal and provincial capital taxes	3.5	3.2
Other	0.2	0.1
Income tax recovery of Superior	(0.5)	(40.4)

The components of the future income tax liability as at December 31, 2004 and 2003 are as follows:

	2004	2003
Carrying value of tangible assets over tax values	(150.8)	(174.1)
Accounting reserves, deductible when paid	15.8	14.7
Benefit of tax loss carry forwards	14.0	34.2
Other	0.4	–
Future income tax liability	(120.6)	(125.2)

Taxes paid during 2004 totaled $3.5 million (2002 – $3.2 million) and were comprised solely of federal large corporate and provincial capital tax.

12. Unitholders' Equity

Authorized

The Fund may issue an unlimited number of trust units. Each trust unit represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets in the event of termination or wind-up of the Fund. All trust units are of the same class with equal rights and privileges.

	Issued Number of Trust Units (millions)	Equity
Unitholders' equity, December 31, 2002	**47.8**	**349.8**
Trust units issued as a result of the management internalization transaction and retention agreements (Note 15(i))	7.0	137.5
Warrants issued as a result of the management internalization transaction (Note 15(i))	–	1.3
Management internalization retention arrangements (Note 15(i))	0.3	–
Trust units issued to finance the ERCO Worldwide acquisition	4.5	88.9
Trust units issued to finance the Albchem acquisition (Note 4)	4.9	100.2
Conversion of Debentures – (Series 1 – $44.1 million converted @ $16 per trust unit; and Series 2 – $41.1 million converted @ $20 per trust unit) (Note 9)	4.8	82.7
Exercise of trust unit options (Note 13)	0.1	–
Trust unit incentive plan compensation expense (Note 13)	–	2.5
Currency translation adjustment	–	1.0
Net loss	–	(19.6)
Distributions to Unitholders	–	(133.4)
Unitholders' equity, December 31, 2003	**69.4**	**610.9**
Conversion of Debentures – (Series 1 – $11.7 million converted @ $16 per unit; and Series 2 – $106.3 million converted @ $20 per trust unit) (Note 9)	6.0	114.4
Exercise of trust unit options (Note 13)	0.1	–
Exercise of trust unit warrants	0.4	8.1
Trust unit incentive plan compensation expense (Note 13)	–	3.2
Repayment of management internalization loans receivable (Note 15(i))	–	2.6
Currency translation adjustment	–	(1.4)
Net earnings	–	111.2
Distributions to Unitholders	–	(179.1)
Unitholders' equity, December 31, 2004	**75.9**	**669.9**

Unitholders' capital as at December 31, 2004 and 2003 consists of the following components:

	2004	2003
Unitholders' capital		
Trust unit equity	1,114.5	987.5
Conversion feature on warrants and Debentures	1.6	2.4
Contributed surplus	5.9	3.8
	1,122.0	993.7

At December 31, 2004, the Fund had 3.1 million trust unit warrants outstanding (2003 – 3.5 million), exercisable at $20 per trust unit warrant. The trust unit warrants expire May 8, 2008.

The weighted average number of trust units used in the calculation of basic net earnings (loss) per trust unit and distributable cash flow per trust unit was 72.7 million trust units in 2004 (59.4 million in 2003). The number of trust units used in the calculation of diluted net earnings (loss) per trust unit and distributable cash flow per trust unit before distributions to Unitholders, was calculated using 82.8 million trust units in 2004 (76.8 million in 2003) and reflects the assumed conversion of all outstanding Series 1 (1.1 million trust units) and Series 2 (8.0 million trust units) Debentures effective from the beginning of the year, and the incremental dilutive effect resulting from the exercise of all trust unit options (0.2 million incremental trust units) and trust unit warrants (0.8 million incremental trust units).

13. Trust Unit Incentive Plan ("TUIP")

Under the terms of the Fund's TUIP, market growth options may be issued to directors, senior officers and employees of Superior. The number of trust units issued is equal to the growth in value of the options at the time the options are exercised, represented by the market price less the exercise price times the number of options exercised, divided by the current market price of the trust units issued. Under the terms of the TUIP, options granted prior to 2003 were granted for a four year term and are exercisable as to one-third immediately and an additional one-third on the first and second anniversary of the date of grant. Options granted subsequent to 2003 were granted for a five year term and are exercisable as to one-fifth immediately, and an additional one-fifth on each anniversary date of the grant. During 2004, 0.1 million trust units were issued under the TUIP (2003 – 0.1 million trust units).

A summary of the status of the Fund's TUIP as at December 31, 2004 and 2003 and changes during these years is summarized below:

	2004		2003	
	Options (000's)	Weighted Average Exercise Price	Options (000's)	Weighted Average Exercise Price
Options outstanding at beginning of year	1,060	$ 19.60	494	$ 16.53
Granted	118	26.26	861	20.26
Exercised	(193)	17.92	(266)	16.11
Forfeited	(25)	21.37	(29)	18.98
Options outstanding at end of year	960	$ 20.71	1,060	$ 19.60
Options exercisable at end of year	403	$ 20.09	326	$ 18.66

The following summarizes information about the trust unit options outstanding as at December 31, 2004:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	(000's) Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	(000's) Exercisable	Weighted Average Exercise Price
$15.84 – $18.34	53	1.1	$ 17.24	53	$ 17.24
$19.64 – $23.56	794	3.2	$ 20.15	327	$ 20.13
$25.06 – $28.76	113	4.5	$ 26.32	23	$ 26.32

14. Commitments

(i) Lease commitments for rail cars, premises and other equipment for the next five years and thereafter are as follows:

2005	19.2
2006	13.6
2007	10.6
2008	8.5
2009	5.4
2010 and thereafter	5.7

(ii) Purchase commitments under long-term natural gas and propane contracts for the next five years and thereafter are as follows:

	Natural Gas	US$ Natural Gas	Propane
2005	37.8	119.8	125.4
2006	15.4	93.7	–
2007	12.5	56.6	–
2008	12.2	47.5	–
2009	10.1	39.9	–
2010 and thereafter	–	–	–

Superior is similarly committed to long-term natural gas and propane sales contracts to supply customers.

(iii) ERCO Worldwide has entered into fixed price electricity purchase contracts totaling 73 Megawatts per hour for a portion of its Alberta power requirements, for up to twelve years at an average cost of $45.38 per Megawatt Hours. Commitments for the next five years and thereafter are as follows:

2005	29.0
2006	22.0
2007	17.7
2008	17.7
2009	17.7
2010 and thereafter	124.2

(iv) Superior has entered into long-term forward contracts to buy US dollars in order to hedge US dollar in-flows of ERCO Worldwide and US dollar out-flows of SEM as follows:

Purchases	Net US$	Conversion Rate
2005	32.0	1.34
2006	14.5	1.30
2007	22.9	1.26
2008	34.4	1.27
2009	39.4	1.28
2010 and thereafter	–	–

As at December 31, 2004, the net mark-to-market loss on long-term foreign currency forward contracts was $8.7 million.

(v) ERCO Worldwide has entered into a long-term agreement with CMPC Celulosa S.A. ("CMPC"), a division of Empresas S.A. to supply sodium chlorate to CMPC's three pulp mills in Chile. As part of this agreement, ERCO Worldwide will construct a sodium chlorate manufacturing plant adjacent to the CMPC Pacifico Mill at an estimated total cost of $65 million. The new plant is scheduled to start-up in mid-2006. Cumulative expenditures to December 31, 2004 were $1.4 million.

15. Related Party Transactions and Agreements

(i) Management Internalization Transaction

Pursuant to the Management and Administration agreements (collectively the "Management Agreements") between Superior Capital Management Inc. ("SCMI"), Superior, and the Fund, SCMI provided executive management and other services to Superior and the Fund. The Management Agreements were terminated May 8, 2003, effective January 1, 2003, and therefore no incentive fees or administrative fees were payable for the year ended December 31, 2003. The Management Agreement had entitled SCMI to earn incentive fees based upon the level of cash flow distributed to the Fund in respect of a calendar year of up to 50% of incremental cash flow, when distributions paid by Superior in respect of that year exceeded the equivalent of $1.90 per trust unit.

The cost to terminate the Management Agreements was $141.3 million, which has been charged to net income. The funds paid to the Manager and Administrator to terminate the contracts were immediately re-invested into trust units and warrants. The following table summarizes the financing of the transaction:

Trust units issued (7.0 million @ $19.65/trust unit)	$ 137.5
Warrants issued (3.5 million @ $0.36/trust unit)	1.3
Cash transaction costs	2.5
Total management internalization cost	$ 141.3

Of the 7.0 million trust units issued, 0.9 million trust units received by executive officers of Superior were subject to escrow arrangements, and will be released over a period of four years. At December 31, 2004, 0.7 million trust units remained in escrow. The 3.5 million warrants, exercisable to purchase trust units for five years at a price of $20.00 per trust unit, were valued using an option pricing model. Future taxes payable were reduced by $48.8 million as a result of the internalization transaction. Internalization costs were not included in the calculation of distributable cash flow due to the accretive nature of the management internalization transaction. (See Note 1).

In addition, non-interest-bearing loans aggregating $6.5 million were advanced to the executive officers and were used to fund the purchase of 0.325 million trust units at $20.00 per trust unit. The loans are repayable over a four year period in the form of annual retention bonuses of which $2.6 million was repaid in 2004 (2003 – nil). As at December 31, 2004, the remaining loans receivable of $3.9 million (2003 – $6.5 million) have not been recorded as an asset by Superior, but have been deducted directly from Unitholders' equity, in recognition of the certainty of collection over the remaining three years.

(ii) Management Trust Unit Purchase Plan Loan Guarantee

A number of senior employees of Superior have obtained guarantees from Superior under the terms of the Management Trust Unit Purchase Plan (the "MTUPP"), whereby participants may acquire trust units of the Fund through open market purchases in pledge accounts established by individual participants with an investment dealer. Participants borrow directly from a chartered bank the entire cash amount required to make the trust unit purchases with Superior guaranteeing up to 66% of the loan amount. As at December 31, 2004, the aggregate quoted market value of trust units owned under the MTUPP was $3.0 million (2003 – $6.8 million). The aggregate amount of participant loans from a chartered bank was $1.9 million (2003 – $4.0 million), which were supported by guarantees of Superior aggregating $1.2 million (2003 – $2.7 million).

16. Business Segments

Superior operates four distinct business segments; the delivery of propane and propane related services and accessories operating under the Superior Propane trade name; the manufacture and sale of chemicals and related products and services for the pulp and paper and water treatment industries operating under the ERCO Worldwide trade name; the distribution of walls and ceilings construction products operating under the Winroc trade name; and the sale of natural gas under fixed price term contracts operating under SEM. Superior's corporate office arranges intersegment foreign exchange contracts from time to time between its business segments. As a result, in the accompanying tables, the elimination of intersegment revenues and cost of sales pertaining to intersegment foreign exchange gains and losses are eliminated under the Corporate cost column.

For the year ended December 31, 2004	Superior Propane	ERCO Worldwide	Winroc[1]	SEM	Corporate	Total Consolidated
Revenues	720.2	396.0	229.0	211.3	(3.7)	1,552.8
Cost of products sold	433.5	202.8	179.5	197.9	(3.7)	1,010.0
Gross profit	286.7	193.2	49.5	13.4	–	542.8
Expenses						
Operating and administrative	173.9	92.2	31.3	7.6	10.1	315.1
Amortization of property, plant and equipment	22.1	53.4	2.7	–	–	78.2
Amortization of intangible assets	–	5.5	–	–	–	5.5
Interest on revolving term bank credits and term loans	–	–	–	–	15.5	15.5
Interest on convertible unsecured subordinated debentures	–	–	–	–	13.6	13.6
Amortization of convertible debenture issue costs	–	–	–	–	1.6	1.6
Management internalization costs	–	–	–	–	2.6	2.6
Income tax expense (recovery) of Superior	32.6	15.5	5.5	2.1	(56.2)	(0.5)
	228.6	166.6	39.5	9.7	(12.8)	431.6
Net earnings (loss)	58.1	26.6	10.0	3.7	12.8	111.2
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	22.1	58.9	2.7	–	1.6	85.3
Future income tax expense (recovery)	31.4	13.4	4.3	2.1	(55.2)	(4.0)
Trust unit incentive plan recovery	–	–	–	–	3.2	3.2
Management internalization costs	–	–	–	–	2.6	2.6
Less: Maintenance capital expenditures, net	(5.6)	(7.6)	(2.6)	–	–	(15.8)
Distributable cash flow	106.0	91.3	14.4	5.8	(35.0)	182.5

For the year ended December 31, 2003	Superior Propane	ERCO Worldwide	Winroc[1]	SEM	Corporate	Total Consolidated
Revenues	727.1	356.3	–	152.2	(1.3)	1,234.3
Cost of products sold	436.5	183.3	–	144.1	(1.3)	762.6
Gross profit	290.6	173.0	–	8.1	–	471.7
Expenses						
Operating and administrative	177.2	87.2	–	4.7	9.2	278.3
Amortization of property, plant and equipment	21.4	45.2	–	–	–	66.6
Amortization of intangible assets	–	6.1	–	–	–	6.1
Interest on revolving term bank credits and term loans	–	–	–	–	14.7	14.7
Interest on convertible unsecured subordinated debentures	–	–	–	–	22.7	22.7
Amortization of convertible debenture issue costs	–	–	–	–	2.0	2.0
Management internalization costs	–	–	–	–	141.3	141.3
Income tax expense (recovery) of Superior	34.8	16.7	–	1.2	(93.1)	(40.4)
	233.4	155.2	–	5.9	96.8	491.3
Net earnings (loss)	57.2	17.8	–	2.2	(96.8)	(19.6)
Add: Amortization of property, plant and equipment, intangible assets and convertible debenture issue costs	21.4	51.3	–	–	2.0	74.7
Future income tax expense (recovery)	33.6	14.7	–	1.2	(93.1)	(43.6)
Trust unit incentive plan recovery	–	–	–	–	2.5	2.5
Management internalization costs	–	–	–	–	141.3	141.3
Less: Maintenance capital expenditures, net	(3.5)	(6.4)	–	–	–	(9.9)
Distributable cash flow	108.7	77.4	–	3.4	(44.1)	145.4

(1) Winroc was acquired June 11, 2004.

Total Assets, Net Working Capital, Acquisitions and Other Capital Expenditures, Net

	Superior Propane	ERCO Worldwide	Winroc[1]	SEM	Corporate	Total Consolidated
As at December 31, 2004						
Net working capital	61.3	(8.1)	50.5	(2.3)	(3.5)	97.9
Total assets	603.6	754.6	152.9	25.5	12.4	1,549.0
As at December 31, 2003						
Net working capital	30.3	6.5	–	0.1	–	36.9
Total assets	592.6	826.6	–	16.4	8.1	1,443.7
For the year ended December 31, 2004						
Acquisitions	3.7	–	116.4	–	–	120.1
Other capital expenditures, net	0.5	5.7	–	–	–	6.2
For the year ended December 31, 2003						
Acquisitions	–	122.8	–	–	–	122.8
Other capital expenditures, net	(0.3)	7.3	–	–	–	7.0

(1) Winroc was acquired June 11, 2004.

Geographic Information

	Canada	United States	Other	Total Consolidated
Revenues for the year ended December 31, 2004	1,271.4	256.3	25.1	1,552.8
Property, plant and equipment as at December 31, 2004	663.2	77.8	–	741.0
Total assets as at December 31, 2004	1,278.9	270.1	–	1,549.0
Revenues for the year ended December 31, 2003	1,053.9	161.2	19.2	1,234.3
Property, plant and equipment as at December 31, 2003	701.4	80.3	–	781.7
Total assets as at December 31, 2003	1,351.2	92.5	–	1,443.7

17. Subsequent Event

On February 2, 2005, Superior announced that its division, Superior Propane had purchased the business of Foster Energy Corporation, a wholesale marketer of natural gas liquids, for approximately $28.0 million of which $15.5 million was paid in cash with the remaining consideration payable over a five year period.

18. Comparative Figures

Certain reclassifications of prior year amounts have been made to conform to current year presentation.

Corporate Information

Board of Directors, Superior Plus Inc.

Grant D. Billing
Executive Chairman
Calgary, Alberta

Robert J. Engbloom, Q.C.[2]
Calgary, Alberta

Norman R. Gish[1]
Calgary, Alberta

Peter A.W. Green[2]
Lead Director
Campbellville, Ontario

Allan G. Lennox[2]
Calgary, Alberta

James S.A. MacDonald[2]
Toronto, Ontario

Geoffrey N. Mackey
Calgary, Alberta

David P. Smith[1]
Toronto, Ontario

Peter Valentine[1]
Calgary, Alberta

(1) Member of Audit Committee
(2) Member of Governance and Human Resources Committee

Officers, Superior Plus Inc.

Grant D. Billing
Executive Chairman

Geoffrey N. Mackey
President and Chief Executive Officer

W. Mark Schweitzer
Executive Vice-President
Corporate Development and Chief Financial Officer

Derren J. Newell
Vice-President, Finance

Theresia R. Reisch
Director, Investor Relations and Corporate Secretary

David R. Eastin
President, Superior Propane
a division of Superior Plus Inc.

Paul S. Timmons
President, ERCO Worldwide
a division of Superior Plus Inc.

Paul J. Vanderberg
President, Winroc
a division of Superior Plus Inc.

Gerald M. Haggarty
President, Superior Energy Management
a division of Superior Plus Inc.

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Website: www.ercoworldwide.com

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Unitholder Information

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Chartered Accountants
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Calgary, Alberta T2P 0S7

Trustee and Transfer Agent

Computershare Trust Company of Canada
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Calgary, Alberta T2P 3S8
or:100 University Avenue, 11th Floor
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Telephone: 1-800-564-6253
Facsimile: 1-888-453-0330
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Annual General Meeting

The Annual Meeting of Unitholders of the Fund will be held in the Main Dining Room of The National Club, 303 Bay Street, Toronto, Ontario on Wednesday, May 11, 2005 at 3:30 p.m.(EST).

Cash Distributions and Tax Components

The Fund targets to pay out substantially all of its ongoing sustainable distributable cash flow through regular monthly distributions over the course of the year. The record date for each monthly distribution will be the last day of the month and the payment will be made on or before the fifteenth day of the following month.

As at year-end 2004, the monthly cash distribution rate is $0.20 per trust unit or $2.40 on an annualized basis.

Toronto Stock Exchange (TSX) Listings

SPF.un : Superior Plus Income Fund – Trust Units

SPF.db : 8% convertible Debentures, Series 1 convertible at $16 per trust unit

SPF.db.a: 8% convertible Debentures, Series 2 convertible at $20 per trust unit

SPF.un Unit Price and Volumes – TSX

Quarterly high and low prices and volumes for 2003 and 2004.

	2004			2003		
	High	Low	Volume	High	Low	Volume
First quarter	28.80	25.13	9,101,767	21.49	18.50	6,141,390
Second quarter	28.17	22.45	10,719,346	21.73	19.31	9,810,107
Third quarter	28.10	25.50	6,787,031	23.25	21.35	9,049,653
Fourth quarter	30.23	26.70	6,898,924	26.00	22.75	10,414,920
Annual	30.23	22.45	33,507,068	26.00	18.50	35,416,070

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Superior Plus
Income Fund

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